

Posted on Sat, Jun. 28, 2008

New ball game in ticket-sales arena

Resellers have changed the landscape for scalpers, teams.

By Mike Jensen

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Out on the sidewalk, business seemed pathetic. The sold-out Phillies game with the Los Angeles Angels, about to start, caused little obvious ticket buying or selling outside Citizens Bank Park.

"I'm Little Joe Moe; if I make \$100, I'm happy," said one middle-age guy willing to buy or sell a ticket, but not finding takers. "I'm struggling."

His customers already were inside. The box seats held plenty of newcomers. In the fourth row of Section 116, just behind the Phillies' dugout, Sam Benson of Holland, Bucks County, and three buddies celebrated his ninth birthday. The six tickets with a combined face value of \$264 cost his parents a hefty \$1,000, but not from a scalper or ticket agent. The Bensons bought them on StubHub, the official secondary ticket partner of Major League Baseball. There is a link on the Phillies' Web site.

Over in Section 114, just down the first-base line, sat Todd Rodzik, an attorney from Wilmington, N.C. He flew here for the game with his two children, each attending their first Phillies game. Rodzik bought the \$44 tickets on StubHub for \$98 each, plus a standard 10 percent surcharge to StubHub and a handling charge for FedEx shipping.

Under a new five-year revenue-sharing agreement between Major League Baseball and StubHub - where ticket-holders sell their tickets to buyers online - there really are no sold-out games anymore. The \$44 listed as the ticket price for box seats is often more a guideline than an actual cost.

"It's kind of legalized scalping - it's weird," said Susan Benson, an attorney who bought the StubHub tickets for her son's birthday and admitted to being stunned by all the extra charges, but decided to go for it as a onetime special occasion.

As you might expect, scalping isn't a term used much anymore. The buzzword is "secondary ticket market," and all over the entertainment and sports industry, business is booming, turbo-

charged by the technological advances of recent years. StubHub itself is one of those "Why didn't I think of it?" ideas, with the company earning 25 percent from every ticket sold - 15 percent from the seller and 10 percent from the buyer. The higher the ticket price, the more StubHub makes, with no loss to the company if the ticket doesn't sell. Founded in 2000, StubHub was purchased by online giant eBay last year for \$310 million.

MLB isn't the only operation getting a cut of ticket resales. Last year, the NFL, NHL and NBA signed deals with Ticketmaster to handle their resale programs, although those deals are less extensive, with individual franchises free to make separate deals. Other companies resell tickets without partnering with the leagues, and the marketplace has gone global. One of the founders of StubHub, Eric Baker, who left the company in 2004, quickly founded viagogo, mainly focusing on the European market. The company has deals with the professional soccer clubs Manchester United and Chelsea, two of the most valuable sports franchises in the world.

Baseball already had been StubHub's biggest revenue producer, so MLB decided to get a cut of the action. As part of the deal, Major League Baseball is guaranteed \$200 million over the five years and could make as much as \$300 million.

The 25 percent profit on each sale is divided three ways, with a third to the club, a third to StubHub, and a third to Major League Baseball Advanced Media, which is the Internet subsidiary of Major League Baseball. The clubs had the choice of whether to be a part of the deal and only Boston chose not to participate. The Red Sox don't put a link to StubHub on their Web site or advertise the service on their telecasts, and don't get a cut of the revenue, believing they're already earning top dollar at sold-out Fenway Park.

For Phillies tickets, StubHub ticket-buyers can get their tickets sent to them by FedEx (shipping fee \$11.95 to \$24.95) or left at specific ticket windows at Citizens Bank Park, staffed by Phillies employees and reserved for StubHub pickups, as long as customers pay a \$15 "last-minute service fee."

Through June 22, the average price of tickets sold on StubHub throughout Major League Baseball was \$67.77, while the overall average ticket price hovered around \$30. The most tickets sold for a game through StubHub so far was the Reds' game at the Yankees on June 21, when 12,095 tickets were sold.

StubHub's sales for 2008 games are about double compared with the same time in 2007, according to tracking done by Major League Baseball.

"Every time someone buys a ticket, I'm able to track that person and I'm able to market to that person," said John Weber, vice president of ticket operations for the Phillies, regarding the information generated by the StubHub deal. "We did not have any information on those people. Now, maybe somebody bought 17 games [through StubHub] at a nice location. Maybe they'll buy a 15-game plan [directly from the Phillies] next season."

Scott Rosner, the associate director of the University of Pennsylvania's Wharton Sports Business

Initiative, said teams are using this tool to set their own prices.

"It's a very effective way of judging the efficiency of their ticket pricing," Rosner said.

Scalping laws used to prevent the current system employed by StubHub, but last year Gov. Rendell signed a bill into law allowing anyone to resell event tickets online if they "had a presence in the state." Under the old law, licensed brokers could resell tickets, but for a maximum of 25 percent above face value.

"Obviously, your average ticket broker wasn't observing the speed limit," said one industry source.

The Web services were considered national enterprises, with no local sales operations to tax. The new law removes the 25 percent cap and also requires that the reseller guarantee a full refund if the event is canceled or the ticket is not valid upon entry. StubHub guarantees the ticket if the event is canceled. If the event is rescheduled, the ticket-holder can use the ticket on the new date or resell it.

Just this week, New Jersey lawmakers approved a bill removing a price cap on legal ticket scalping for sales made only through a Web site. Current law bars reselling tickets for more than 20 percent or \$3 more than the face value, whichever is greater.

Tickets are available through StubHub for almost all sections for most Phillies games. The big games usually get the most business. A check of StubHub's site on April 22 showed 3,066 tickets available for the June 16 game between the Phillies and the Red Sox, the first game of that series. Eighteen sections, mostly box seats, had at least 50 tickets for sale. That didn't account for tickets sold on the site before April 22 or tickets that were posted on the site but not sold.

Last Sunday, Jen Tokarik and her boyfriend, Tyler Ruff, two 20-year-olds from Schuylkill Haven in Schuylkill County, received their Phillies-Angels tickets for Section 202 at the ticket window. The tickets had a face value of \$24. They bought them for \$29, although that cost rose to \$34 each with the usual charges tacked on. Tokarik and Ruff found the tickets on their laptop the night before after visiting the Franklin Institute and touring the city.

The price was right for them - "We got into the game and it's sold out," Tokarik said - but they wished they had waited until the morning of the game to buy them.

"They were cheaper than they were last night, and better seats," Ruff said.

At 8:30 that morning, 325 seats still were available on the StubHub Web site, from Pavilion Deck 305 seats for \$17.95 (plus the 10 percent and handling) to Diamond Club Section C tickets right behind the plate for \$206 (plus the usual charges). StubHub allows sellers to choose a diminishing price function, causing ticket prices to drop closer to the event.

"What's funny is that originally the teams were really scared of it, because they didn't want to be seen as bleeding their customers," Penn's Rosner said of the StubHub marketplace. "They didn't

want to be seen as gouging."

More teams now recognize that filled seats are better than empty ones, even if the empty ones are paid for.

"No-shows don't do you any good," said the Phillies' Weber of the missed chance for revenue from parking, concessions and souvenirs.

"Unless you're wearing a uniform and carry a bat, you can't go to 81 [home] games," said Bob Bowman, the president of MLB Advanced Media. "It's just a recognition and acceptance of what's real."

Rosner said he sold some of his Yankees season tickets on StubHub this season. In the past, he said, "The Yankees actually would go after you if you resold tickets. The New York State Legislature passed a law . . . that teams can no longer punish their season-tickets [holders] for reselling their tickets. Before then, Yankees security would actually patrol the various Web sites."

One Phillies season-ticket holder, who asked to remain anonymous, said he sold 22 of his 81 sets of four tickets for box seats near the visiting dugout. He first checked out StubHub's site to try to price them to sell. They all sold quickly and for a profit, he said.

For the first game of the Angels' series, two \$44 tickets brought him \$70 apiece via resale. A grandfather and grandson sitting next to him thanked him for their tickets after he introduced himself and said he was the seller. He didn't mention to them that they had almost covered the cost for his seats, too.

Some sellers dream really big. Two tickets near the top of the stadium for the Fourth of July game were put on sale for \$50,000 each. The buyer's comment: "Trying to Pay for College UPENN."

Goofy offers aside, Rosner, the Penn lecturer, said of this new system: "I think, overall, this is a very good thing for fans," noting the transparency of the system and the protections offered against fraud, in addition to the availability of more tickets in a free-market exchange.

Some might argue that as the actual cost of tickets rises, the proverbial little guy is cut out. The Phillies' Weber pointed out that all tickets are on sale in December and as of last week, only two games were sold out for the rest of the season.

Getting additional customers, especially new customers, into the stadium is a financial bonus for the franchises. Season-ticket holders are going to buy only so many jerseys.

Rodzic, the attorney from North Carolina, who had become a Phillies fan visiting his grandparents in Delaware in the late 1970s, wore a new Jimmy Rollins replica jersey. His 8-year-old daughter had a pink Phillies jersey. His 6-year-old son wore a Ryan Howard jersey. All of

them wore new Phillies caps. Rodzik said he spent "about \$400" on merchandise.

Outside, the police still use bicycles to deal with "Little Joe Moe" and his competitors, who compete for walk-up business in the parking lots. More than anything, this all seems a reminder of a bygone age. The old-fashioned scalper understands his real competition.

"StubHub's lines are bigger than the Phillies'," he said, looking over toward the stadium's ticket pickup windows.

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