



ticketing mailbox <ticketing@culture.gov.uk>

Consultation response on "Secondary ticketing - call for evidence" - co-ops not regulation to the rescue

1 message

19 November 2015 at 01:08

To: ticketing@culture.gov.uk

Department for Culture, Media and Sport (DCMS)
100 Parliament Street
LONDON
SW1A 2BQ

Firstly, I very much welcome the government's consultation on this matter. It is a nonsense that some firms are able to re-sell tickets at vastly inflated prices e.g. a U2 ticket that cost £182 to purchase first time being re-sold for £3,000:

<http://www.bbc.co.uk/news/business-34804333>

often through the bulk purchase of very large volumes of tickets using dozens of credit cards within one organisation causing huge increases in market price very rapidly and at scale. We do need business innovation and entrepreneurship in all parts of our economy, but not when it is based only on a shoddy financial sleight of hand.

Secondly, my consultation response.

There has been considerable public outcry about this issue, and frequent demands for government intervention and regulation. I am delighted that the government desires change, but extremely concerned that the government will feel under pressure to act in ways that are the most expensive and ineffective for genuine event fans, whilst also being very obstructive of business innovation - as a result of the best solution not being readily understood despite it already existing in principle and requiring no new regulation. Here's why.

I know that fools and their money are soon parted; some might feel that this maxim applies to secondary ticketing. From this perspective one might argue that consumers should not be protected from high cost secondary trading in tickets but be allowed to spend as much as they wish. According to this argument, it is only through a lack of consumer protection that market demand will reach a saturation point causing prices to fall to a clearing price that customers are happy with.

Unfortunately, secondary ticket sales fall within the category of "Veblen goods" - these are luxury non-essential goods that become the more desirable the more expensive they become. The whole point about a ticket to a live event is that it isn't possible for all fans to buy one... If all fans could buy one, they would have no

or low value (quite apart from probably being too low to cover the costs of the event). As a result, market demand for secondary tickets is not vulnerable to saturation, rather it is strongly reinforced by market scarcity (whether real or perceived). In addition, because event tickets are Veblen goods, the problem of vastly inflated secondary ticketing prices cannot be solved by increasing supply. Thus natural market mechanisms can't solve the problem.

Moreover, the secondary ticket problem is compounded because there is no mechanism through which secondary ticket customers can be assured that the secondary ticket they have bought was bought by a genuine fellow fan, rather than part of a systematic and fake mass purchase by a secondary ticketing retailer. (Secondary ticket touts claim they sell tickets from genuine fans, but this is a tiny part of their supply at best.)

Even worse, were regulation to be introduced it would be extremely expensive and add a further layer of cost onto genuine ticket fans wishing to purchase tickets. Extortionate margin ticket touts would not be penalised by the charges of regulation but simply pass the costs on to their customers (increasing the attractiveness of these Veblen good to the wealthiest fans further). Thus market regulation won't solve the problem either.

There is also the side issue of how a government that plans to cut £4bn expenditure by removing tax credits from the poorest workers would be able to justify increased expenditure on the "lesser" issue of regulation of ticket touts.

Happily, the best solution is to encourage the creation of member-owned co-ops to sell secondary tickets. Member-owned businesses would *remove* the incentives for extortionate profit margins *without* requiring the creation of new regulations, *and* encourage the development of genuine business innovation for the common good, as follows:

1. providing a platform for genuine fans to sell now unwanted tickets (i.e. a mechanism for validating the genuineness of secondary sales, constraining the artificially-created and misleading "genuine re-sales" supply of touts)
2. the alignment of incentives between businesses selling secondary tickets and fans wishing to purchase such tickets (because the fans own the co-operative businesses, and thus have no incentive to inflate the price excessively; members' co-ops inflating prices would lose custom to members' co-ops keeping prices low)
3. a low-cost mechanism for the distinction between genuine re-sales and systemic bulk mass purchase resales so that the incentives of the former, bands and events organisers can be aligned (i.e. events organisers could easily increase the attractiveness of purchases from the genuine fans by making some merchandising only available to those who bought genuine "first round tickets" or secondary tickets from members' co-ops, but not available to those purchasing from privately-owned secondary touts. The commercial pressures on bands and other entertainers as a result of the internet and freemium business models means that events organisers have a natural incentive to obtain as large a share of fans' spend as possible, and to minimise that which goes to secondary touts.) Following Nicholas Lovell's "The Curve" an interesting range of business innovations by bands and events organisers would be expected in this space as a result.
4. the continuation of market mechanisms for the distribution of events tickets without the distortion from a small sector of privately owned firms

This would provide the cheapest solution to this problem. It so happens that this co-operative solution would not only minimise the need for government expenditure or involvement, but would completely remove it. Last but not least, it would obviate the rentier business models of secondary ticket touts and reduce the cost of ticket re-sales, thereby freeing up the remaining part of fans' discretionary income for expenditure in other productive parts of the economy.

I therefore strongly urge you to give this solution serious consideration.

I have expressed this proposed solution in a few previous discussions about this issue with a number of colleagues within the co-operative business sector. I shall be forwarding this email to them separately and very much hope that they will also make similar submissions to the consultation.

Yours sincerely,

11/19/2015

Department for Culture Media & Sport Mail - Consultation response on "Secondary ticketing - call for evidence" - co-ops not regulation to the rescue

From: [redacted] <[redacted]>
Sent: 11/19/2015 11:11 AM
To: [redacted]

Hi,
©, [redacted]

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