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Esteemed Members of the Inquiry Group:

I co-founded StubHub in March of 2000 and was the CEO from inception through its sale to eBay in 2007. I am intimately familiar with the live events industry and the ticket resale business and I know StubHub's roots better than almost anyone on the planet. I spent seven years in the trenches working with my team to define the strategy, hire the team, design the product and user experience, and shape the brand as the trusted source of tickets in the minds of millions of consumers.

I am currently a General Partner at Craft Ventures, an investment firm with over \$850 million of assets under management. My partners and I have extensive experience starting, running and investing in some of the most successful technology companies of the past 20 years including Facebook, Twitter, Uber, Airbnb, Twilio, Tesla, SpaceX, Houzz and...**StubHub!**

I am writing to you as a potential purchaser of the entirety of StubHub from Viagogo to share my thoughts about the possible remedies that have been put forth by the CMA to address the substantial lessening of competition (SLC) resulting from the merger of Viagogo and StubHub.

### **Background on Our History with StubHub**

As a co-founder of the company, I have a deep love for the StubHub business and tremendous amount of pride in the company that I started over 20 years ago. My team and I built the company into the largest ticket marketplace in the world because we had a maniacal focus on customer service and we provided a trusted way for consumers to purchase tickets to live events. We brought trust and confidence to the ticket resale market which had previously been plagued by scams and lacked consumer protection. I care deeply about StubHub and hope that it thrives for many generations to come.

When I started StubHub in 2000, we recognized that consumers have an emotional connection with their favorite sports teams and performing artists. I was passionate (and I still am) about helping fans see their team play in a championship game or attending a sold-out rock concert headlined by their favorite artist. We built the StubHub brand for these passionate fans. Unfortunately, StubHub's brand has suffered in recent years as the company lost its passion for the fan experience. The company's decision to withhold refunds from consumers due to Covid-19 cancellations has further eroded its brand equity. Indeed, several class action lawsuits have been filed against the company claiming that the company owes money to customers and unlawfully changed its FanProtect guarantee that we put in place during my tenure. Despite all of this, StubHub's brand is the most significant asset the company owns and I am confident this damage can be reversed given the right leadership.

### **The CMA Should Require a Full Divestiture**

The CMA should require a full divestiture because it is the only way to achieve the CMA's objective of addressing the SLC. By forcing a full divestiture, Viagogo and StubHub would be two distinct companies leading to optimal competition in the UK market and elsewhere. This competition would, in turn, lead to many advantages for consumers including lower ticket prices, more choice and access to live events, increased innovation in the mobile app and website product experience, and better customer service. The US market has more significant competition than the UK market and enjoys all of these strong customer benefits.

A partial divestiture is not feasible.

1. **Complicated technology obstacles:** The software technology backbone of the StubHub business is complex and multi-faceted. The system has many components that interact with one another and require sophisticated orchestration to operate and maintain. This technical interconnectedness means that separating the StubHub business into two parts would be prohibitively onerous and unproductive. Although StubHub's international business was at one time a separate entity, many critical technical components have undoubtedly been consolidated. Separating StubHub's international business or its UK business from the rest of StubHub would be akin to splitting a baby in half as a way to solve a couple's custody battle in a messy divorce. Splitting StubHub in this way would almost certainly result in failure for the carved-out business.
2. **Insurmountable business challenges:** In addition to the technical challenges of a partial divestiture, there would be insurmountable challenges that would make the carved out business unsustainable. The StubHub brand is a key asset for the business which has much less value without the brand. It would be untenable for any buyer to share the brand name with the seller. If the StubHub brand were owned by one company in certain geographic markets and a different company in other markets, the experience would be disjointed for consumers. More importantly, the mistakes of one company would damage the brand of the other. In addition, any partial divestiture would not preserve the existing economies of scale and scope of the StubHub business, which

currently benefits from the networks effects of having a single global platform (more inventory leads to more buyers and vice versa) and the ability to compete head-to-head against Viagogo, for example in bidding on Google Ads globally. Any potential acquirer will need to hit the ground running to have any chance of competing against the dominant incumbent Viagogo given the current difficult market conditions – thus **any** complexity in execution of the remedy (e.g. mixing and matching assets that have not operated together as a viable business before, complex contractual transitional arrangements, turnover of key staff, etc.) will likely destroy the viability of divestiture as a remedy. These business hurdles resulting from a partial divestiture solution would thus undeniably alienate the potential acquirers who might otherwise be interested in buying the whole company, particularly the strongest buyers who are most likely to succeed. Without a strong buyer, the chances of addressing the SLC would be greatly diminished.

In short, a partial divestiture would result in precisely the opposite of what the CMA hopes to achieve: Instead of increasing competition, the failed carve out would hand Viagogo the lion's share of the UK market to the detriment of UK citizens and consumers.

### **Who are Suitable Buyers for a Full Divestiture of StubHub?**

Private equity buyers would not be able to acquire the business and operate it successfully. The live events industry has many nuances and idiosyncrasies that require a deep understanding and appreciation for its complex industry dynamics. The typical private equity playbook of acquiring a profitable business, cutting costs and flipping the business for a profit will not work in this case particularly given the current market conditions due to the Covid-19 pandemic. The nature of this transaction also adds complexity and risk because it requires separating two businesses, bringing in a qualified leadership team, rebuilding a damaged brand and navigating through a worldwide pandemic.

The buyer in this transaction requires a team with deep expertise in the ticket resale industry, a willingness to navigate an uncertain climate, and a hyper focus on customer satisfaction. Furthermore, such a buyer would need access to extensive networks of technology executives, software engineers and product designers who can fill key roles on the leadership team and throughout the organization after a transaction is completed.

Any such buyer would also need to be willing to put in the hard work and effort to get through the current Covid-19 pandemic which has devastated the live events industry. It would also need to have the patience and discipline necessary to ensure that StubHub persists through the pandemic and the complete conviction (as my Craft partners and I have) that the pandemic will eventually subside and the live events business will return to pre-Covid levels of attendance, revenue and profit.

It is important that the CMA take swift action in this matter. This urgency is caused by the significant challenges resulting from Covid-19: In order for StubHub to survive through the pandemic, it needs a clear Covid-19 contingency plan, decisive leadership, a lean team and an

optimistic yet patient culture. The longer this process goes on without a clear decision, the harder it will be for the divested entity to pull these pieces together and ensure the availability of this ticket marketplace for UK consumers.

We look forward to answering any questions you may have.

Thank you for your attention.

Kind regards

Jeff Fluhr

Co-founder and founding CEO of  
StubHub General Partner, Craft Ventures