

## The economics of ticket scalping

Written by The Conversation

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Event promoters are underpricing and undersupplying tickets. Shutterstock

[Allegations](#) that tickets to recent AFL and NRL finals matches were being resold for up to three times their initial price raises questions of why ticket scalping happens, and whether anything can be done about it.

To an economist, the existence of a secondary market - where tickets are resold - is a sign that they have been undersupplied, underpriced or a combination of the two.

Event promoters, for example, are incentivised to sell as many tickets as possible so they can profit off sales of food, drinks and other concession stand items. This leads them to price tickets low.

Scalpers thrive off such conditions as it presents them with an arbitrage opportunity (the chance to make a profit from buying and selling the same thing) that would never have existed in a world where tickets were plentiful and priced in line with demand.

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[Online reselling platforms](#) also put upward pressure on prices by making tickets easier to re-sell, while simultaneously allowing ticketing companies to double dip on commissions and booking fees. The Australian Competition and Consumer Commission is taking ticket re-seller Viagogo to the [Federal Court](#), alleging the company engaged in deceptive pricing.

While [some Australian states](#) have introduced legislation to limit the amount that tickets can be

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resold for, promoters and policymakers are struggling to keep up with [advances in technology](#) that make scalping tickets easier than ever.

### Why is there scalping?

The continued existence of scalping and resale markets is puzzling to economists. If tickets to major events are consistently undervalued, to the point that there is an entire industry based on resale, why do promoters continue to price tickets so low?

One argument is that event promoters are [risk averse](#), preferring the certainty of a guaranteed sell-out over the uncertainty of potentially over-valuing tickets.

This fits with [research](#) that suggests people prefer to attend events in a packed-out venue, as opposed to a sparsely attended one. This incentivises event promoters to sell out venues as people's demand for tickets depends, to some extent, on the demands of others.

There is also the somewhat idealistic idea that [fairness](#) stops event promoters from setting prices too high. This is the idea, often [voiced in the media](#), that tickets should end up in the hands of "true fans".

### The pros and cons of scalping and reselling

But there is an argument that ticket scalping actually enhances the total welfare of concert goers and sports fans. Scalpers act to distribute tickets to those who value them the most, or, as economists' would say, they increase the [allocative efficiency](#) of the market.

[Secondary markets for tickets](#) allow potential buyers to indicate how much they want to go to the event – their "[willingness to pay](#)". If tickets can only be bought at a single price on a first come first serve basis, then some people who really want to go will be left out. Secondary markets permit these mutually beneficial exchanges to take place.

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Online platforms for buying and selling tickets actually [increase this allocative efficiency](#) . These platforms arm buyers and sellers with ever increasing amounts of information, and the time and expenses associated with the purchase of each resold ticket (known as “[transaction costs](#)”) are greatly reduced.

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But scalping and secondary ticket markets are not without their downsides. Enterprising scalpers may be encouraged to buy up large proportions of available tickets in order to maximise their profits.

This is called “rent seeking” and [has been shown](#) to potentially reduce (or even eliminate) any gains in allocative efficiency.

There is also the issue of fairness, and whether “[true fans](#)” will be priced out of going to see their favourite performer or team. And then there is the issue that scalpers take away profits that could have instead accrued to the very artists, entertainers or sporting personalities on show.

## Can anything be done about scalping?

As demonstrated by the likes of Taxi competitor [Uber](#) (and soon to be found in some [Australian cinemas](#)), “pricing bots” can adjust prices in real time based on demand or other consumer characteristics.

Such technology could reduce ticket scalping by putting pricing power in the hands of event promoters. But as previously noted, there is a reluctance to increase prices, and so some artists and groups have begun a series of blunt measures designed to tackle the problem.

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Kid Rock, for example, has embarked on a number of “[US\\$20 Best Night Ever](#)” tours. As the name suggests, almost all tickets are sold for US\$20 at supermarkets and venue box offices. Making the ticket price clear and transparent up front is a rather neat trick to try and stop tickets from being sold above face value.

Kid Rock also [tends to perform](#) many shows at the same venue. This increases the total supply of tickets on offer in a single city, reducing the premium that can be placed on a ticket in the secondary market.

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The Glastonbury music festival has begun [printing pictures](#) of the ticket purchaser on every ticket. This may ensure the purchaser of the ticket and the attendee are the same person. However, the high cost of administering such tight controls make them viable to only the most profitable of events.

A similar system will be in place when former 1-Directioner, Harry Styles, plays Sydney’s Enmore Theatre later this year. Ticket holders will be required to attend a “[check-in](#)” before entering the venue.

Meanwhile Taylor Swift has [announced](#) that fans can “boost” their place in the virtual ticketing queue by participating in a range of Swift related activities such as watching music videos and purchasing her music.

While Swift’s [stated goal](#) of “getting tickets into the hands of fans...NOT scalpers or bots” is admirable, this has been viewed by many as nothing more than an [opportunistic cash grab](#) from her most loyal fans.

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Measures such as these are more likely to inconvenience ardent ticket scalpers rather than deter them. As long as tickets to major events are being systematically under-priced, scalpers have an incentive to bypass tighter controls and [headlines bemoaning](#) “inflated” prices will continue.

*The authors do not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and have disclosed no relevant affiliations beyond the academic appointment above.*

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