Should Event Organizers Prevent Resale of Tickets?

Abstract:

We are interested in whether preventing resale of tickets benefits the capacity providers for sporting and entertainment events. Common wisdom suggests that ticket resale is harmful to event organizers' revenues and event organizers have tried to prevent resale of tickets. For instance, Ticketmaster has recently proposed paperless (non-transferrable) ticketing which would severely limit the opportunity to resell tickets. Surprisingly, we find that this wisdom is incorrect when event organizers use fixed pricing policies, in fact event organizers benefit from reductions in consumers' (and speculators') transaction costs of resale. Even when multi-period pricing policies are used, we find that an event organizer may still benefit from ticket resale if his capacity is small. Given that limiting ticket resale by making it more difficult has resulted in adverse consumer reactions, we propose a novel ticket pricing mechanism of ticket options. We show that ticket options (where consumers would initially buy an option to buy a ticket and then execute at a later date) naturally result in reducing ticket resale significantly and result in significant increases in event organizers' revenues. Furthermore, since a consumer only risks the option price (and not the whole ticket price) if she cannot attend the event, options may face less consumer resistance than paperless tickets.