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How Ticketmaster Separated Artists From Fans

Daniel Myrick · Wednesday, November 9th, 2016

When was the last time you bought a ticket to a concert? What was the point of the event? Where did the money go? How much consideration did you give anything more than the artist, date and venue? For most people, that's the important part. Many of the details that go into planning a concert are the determining factors of whether a concert even happens in your town. However, outside factors, like Ticketmaster, determine whether a fan can even afford a ticket.

One of the harder parts to account for are the various fees with concert tickets. You might ask, "Why are there 6 different processing fees that, by the end of my purchase, have doubled the ticket price?" It's a good question, if somewhat of an exaggeration. There is certainly quite a lot of overhead and red tape that has led to tickets being more expensive than they are worth. To consider the gravity of ticket fees, it helps to understand more of the booking process.

An artist needs to convince a promoter that they will be able to sell a certain number of tickets in a certain market. The promoter will then try to book a date in an appropriate venue to be able to make the money required to pay the band and other production expenses. However, for a given artist, venue, town, there are variables unique to that situation. This is why the promoter is invaluable. The promoter deals with the intricacies of the local scene and also assumes the guarantee for the artist. Most of the risk is on the promoter.

For a basic breakdown, let's take Aesop Rock and Rob Sonic, who are performing at the Knitting Factory, a mid-sized venue in Boise, on November 27.

Aesop Rock's market value is in the **\$10,000-\$15,000 range** for a performance. Rob Sonic's fee isn't immediately accessible, but we can assume it is much less and the two could conceivably tour together for the upper end of Aesop Rock's value. A promoter would work out an arrangement with the artist's management, which we will assume for the sake of simplicity is a flat fee of \$15,000.

Even still, nothing is that simple.

In smaller venues, the artist might have to accept half their fee as a guarantee and then a certain percentage of the door or the bar. At a mid-sized venue, the full fee for the artist is typically paid by the promoter, which would come to a certain percentage, say 30%, of the net ticket sales. The promoter also covers all other fees like production, venue rental, performance riders, marketing, etc., which must be covered by the rest of the ticket sales. The venue rental fee is significant in that they provide a stage, equipment and assume all the liability, and pay the insurance and employees. So, it is imperative, particularly for fledgling promoters in mid-sized towns, to have a certain number of pre-sale tickets to guarantee they will break even.

Then there are other factors, such as fees for the ticketing service or credit card companies. It's fair that a company would charge money when they have an infrastructure in place to distribute tickets. In theory, using the specialized service provider makes the process of selling tickets less expensive

overall for the promoter. In a perfect world, this all would total something like: artists 30%, promoter and production 30%, venue 30%, ticket fees 10%.

The world is not perfect.

The Knitting Factory has a [capacity of 999](#). TicketWeb is selling Aesop Rock tickets at [face value of \\$20](#). If the concert sells out, there would be a net take of about \$20,000. A good guess is that Aesop Rock and Rob Sonic perform this concert for less than the \$15,000 noted above. For the promoter, there is some wiggle room built into this show considering that the venue rental covers a good deal of the production equipment and staff, lessening the promoter's costs. Situations such as this make or break whether concerts can even happen in certain locations.

So, when you wonder why your favorite artist plays at a certain venue, it basically comes down to similar economic decisions that a local promoter has to figure out. The point being, there are numerous complicated decisions and scores of people involved that take competent management to make any concert happen.

In this Aesop Rock instance, a fan gets a treat to see a pretty well-established act in a fairly comfortable venue at a reasonable price of \$20. That is until they log in to purchase tickets. TicketWeb, a [network partner of Ticketmaster](#) that caters to the small and mid-size concert venues for Ticketmaster, charges a \$6 service fee on top of the \$20 ticket face value.

Suddenly, there is a situation where the artist stands to make a flat fee, but at a much larger percentage of ticket sales than many promoters would be able to afford. Meanwhile, the ticket company rakes in 30% of the ticket price. To many fans, that would feel like the ticket agency charges double the ticket price. Certainly, if a buyer goes through a resale site like StubHub, they will pay more fees and higher prices that may cost double, or triple, the ticket face value.

TicketWeb provides a platform for promoters and venues to be able to sell tickets. The question to ask is, why does TicketWeb make \$6000 from this one event, when the promoter, sound engineers, stage crew and venue employees may not even make a combined \$6000? These are the people making the concert happen, while someone doing nothing for the event takes all the money. If TicketWeb serviced 1000 events around the country on that day, they would bring in \$6,000,000. That is a pretty conservative number. TicketWeb events may not sell out in 1000 cases per day, but many events will be more expensive and have more seating, so it's not out of the question the company could bring in several million in a given day.

My email to TicketWeb to ask what their fees pay for was returned with the vague reply cut and pasted from their FAQ page, about which they never returned a reply for more information: "Service fee pays for ticket distribution, installation and maintenance of computer hardware and software, telephone lines, labor and all other costs associated with processing a transaction online." The ticket printing and distribution is a negligible expense. Most print shops would charge less than half a cent each ticket. A major enterprise like TicketWeb likely uses in-house printing that performs this for less cost. For customers that need physical tickets mailed to them, that is typically covered by another service fee, such as TicketWeb charging \$14 for UPS.

However, most customers in 2016 will purchase e-tickets or use their credit card for entry. This effectively negates any costs associated with printing and distribution. Yet, there are often more fees associated with credit cards and more confusing refund/exchange policies that can end up making ticket purchasing process more just as hard as if the customer purchased tickets on their own.

Installation and maintenance of computer systems might be costly, but not really when considering multi-million dollar companies. It's all a business expense that can be written off on taxes anyway. Once the computer networks are installed, they basically run themselves. Besides, such an agency can afford a high end tech team and only pay them pennies on the dollar. As for labor, that is also pretty negligible. To sell the one ticket that made \$6, took about 5 minutes or less of someone's

time. If that person is paid \$15 per hour, then labor cost \$1.25 for 5 minutes. But in most online ticket sales, there is no labor other than the tech crew managing the computer systems.

A venue may offer to sell a ticket directly at the ticket window that doesn't involve such fees. It's always good to check first. Often though, the venue will have an exclusive deal allowing only the ticket agency to distribute tickets. And depending on the amount of money, in this case \$6, it might be more worth it for a customer to have the convenience of ordering from home, 24 hours a day for a guaranteed entry, or insurance in the case of a lost ticket or the ability to resell.

There is inherent value in the ticket service, don't get me wrong, but however you look at it, there is a disproportionate amount of money going for services that are fairly inconsequential to the event. Considering that any individual can basically set up their own ticketing service using a Square card reader and PayPal account, there becomes less need for for the ticket service. Square only charges a [2.75% service fee](#). PayPal charges [2.9% plus 30 cents](#). If any random person could do that for almost a tenth of what TicketWeb charges, then imagine how lucrative it could be for some venues, bands, local stores to sell tickets themselves. In many cases, this is exactly what happens.

There is almost no one in the industry in favor of the ticket surcharge monopoly. In 2007, Trent Reznor [took Ticketmaster to task](#) on the Nine Inch Nails message board, basically saying that Ticketmaster had positioned themselves to own the market, and even bought out a resale site that basically allowed Ticketmaster to also become scalpers of tickets they had originally sold. For that reason, NIN had fought for rights to sell 10% of their own tickets and implement their own policies for how fans got to see their shows.

Such fighting back by artists has been fierce. Bands have gone to battle, some even in Congress, to find an alternative system for ticketing events. The current system is what Ticketleap calls a "false price" or an impediment to fans actually being able to buy tickets, when the system is supposed to make it easier.

[Ticketleap hopes the internet can disrupt the current monopoly](#). By acknowledging Ticketmaster as an important link that just became too expensive for their own good, minor upstarts have already been doing well at challenging the behemoth ticketing company.

For example, other similar events have drastically different pricing from newer ticketing agents. Ticketleap doesn't sell concert tickets in Boise, but they do sell theatre tickets. An adult ticket for [Streetcar Named Desire at Boise Little Theatre](#) in February costs \$14, with \$1.70 surcharge to cover all fees and taxes.

In the concert ticket market, Brown Paper Tickets, which markets themselves as "the fair-trade ticketing company" is the ticket seller to events at the skate punk club Shredder. Legendary punk band Agent Orange performs there on November 10 for a [ticket price of \\$15](#), plus a nominal service fee of \$1.52.

For another example, [Kool Keith performs at Neurolux](#) on December 5. Kool Keith is a hip hop cult hero, much more marketable than Aesop Rock. Neurolux also has about one-third the capacity of Knitting Factory. Not only are Kool Keith's tickets three dollars cheaper than Aesop Rock, but the fee and taxes charged by Eventbrite are only half as much as TicketWeb. For a total price the same as the Aesop Rock face value, a Kool Keith fan can have an up close, intimate performance and even meet the man after the show.

In sum total, these three alternative ticket agencies sell charge fees of 12%, 10% and 18% of their respective ticket values, as compared to the same product for 30% from TicketWeb or Ticketmaster. In my perfect world scenario, these upstarts are much more in line with the 10% a fan or an artist would hope to pay. Any more than that, they could probably do it themselves for a lot less money.

Why don't these services takeover the entire industry and put Ticketmaster out of business? Well,

if it were up to fans or bands, then that undoubtedly would've happened already. For now, Ticketmaster still holds a lot of exclusive contracts that enable them to sell tickets to certain venues. Until those contracts expire, they can charge basically whatever they want and only the privileged few that can afford the inflated prices and don't have any moral opposition to the practice will be the ones going to the concerts.

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