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# The Secondary Market: A Model of Misdirection

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## The Secondary Market: A Model of Misdirection

By Joe DeMars

In Spring of 2016, eclectic NYC disco-punk icon LCD Soundsystem announced to its fan base that despite the hullabaloo surrounding their “goodbye” performance at Madison Square Garden in 2012, the band would be reuniting for a new album and tour. Fans rejoiced and prepared for the coveted first concerts to appear; demand would no doubt be sky high. At 12:00pm on March 30, tickets for an April 6 through 11 run at Brooklyn Steel were released to the public at roughly \$60 a piece. By 12:05pm, every single ticket for the five nights at the 1,800-capacity venue was sold. By 12:08pm, the first of the tickets made their obligatory appearance on StubHub at \$315, a 525% price inflation in eight minutes. Six days later, as the first of the April performances lay mere hours away, pairs of tickets could be found as high as \$1,074.60.<sup>1</sup>

Your reaction to this story (one of countless testimonies from the last fifteen years of online ticket sales) will vary depending on your relationship to the music. Fans, feeling frustrated and powerless, will either declare this particular live opportunity as lost and move on or “bite the bullet” and buy that \$315 ticket on Stubhub because, as you might say, “what else can you do?” If you are an economist, you may believe this dramatic price increase is an indicator that the tickets were too inexpensive to begin with and the market simply corrected itself by revaluing the scarce tickets. If you are the band, and if this 2012 blog post<sup>2</sup> is still any indicator, you feel angry and not in control of your own live experience, especially when the day comes to perform

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<sup>1</sup> Horowitz, Steven J. “The Concert Ticket Industry Is Still Broken.” *Vulture*, 2 May 2017, [www.vulture.com/2017/05/everyone-wants-concert-tickets-but-no-one-is-getting-them.html](http://www.vulture.com/2017/05/everyone-wants-concert-tickets-but-no-one-is-getting-them.html).

<sup>2</sup> “Fuck You, Scalpers. Terminal 5 Shows Added.” *LCD Soundsystem*, 11 Feb. 2011, [lcdsoundsystem.com/2011/02/fuck-you-scalpers-terminal-5-shows-added-2/](http://lcdsoundsystem.com/2011/02/fuck-you-scalpers-terminal-5-shows-added-2/).

your “sold out” show to a venue with many seats left strangely unfilled. Above all, if you’re Scott Cutler, CEO of Stubhub, you’re probably just counting money.

The digital scalping of today shares many of the same core values of opportunism and exploitation as its street-corner predecessor without some of the pesky drawbacks: it’s far more subtle and very much legal. While the practice of using bots to instantly purchase was finally criminalized in Congress’ 2016 Better Online Ticket Sales (BOTS)<sup>3</sup> Act, the fundamental issues with the secondary market goes beyond the technology that enables them to profit in the business. A deeper issue, however, that some may have with ticket resale outlets like Stubhub (eBay), TicketsNow (Live Nation), VividSeats, SeatGeek, and Viagogo, is the very role of their business in the live music marketplace. Every dollar in their billions of revenue represents money that fans shouldn’t have had to pay: period. Two major issues surrounding secondary markets are in need of a much larger discussion: rampant false advertising and workable artist strategies to mitigate a reseller’s access.

An essential part of this conversation is recognizing how the messaging of every major ticket reseller does not necessarily represent its true function in the marketplace. Take, for example, London-based online ticket marketplace Viagogo. All the way back in 2012, the investigative team behind the program *Dispatches* got a journalist behind the scenes in Viagogo,<sup>4</sup> acquiring access to damning sets of data. Viagogo records clearly showed agreements with event promoters, mostly for that year, to receive over 50,000 advance tickets for some fifty major acts. In various recorded conversations, Viagogo employees indicated that these “allocations” involved promoters taking a share of the added profits and were not to be revealed to the public

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<sup>3</sup> Toor, Amar. “Congress Cracks down on Bots Used by Ticket Scalpers.” *The Verge*, The Verge, 9 Dec. 2016, [www.theverge.com/2016/12/9/13897204/ticket-bots-scalpers-congress-law-lin-manuel](http://www.theverge.com/2016/12/9/13897204/ticket-bots-scalpers-congress-law-lin-manuel).

<sup>4</sup> “Viagogo - The Great Ticket Scandal.” Channel Four Television Corporation, 23 Feb. 2012, [www.youtube.com/watch?v=WWlnL8drSdw](http://www.youtube.com/watch?v=WWlnL8drSdw).

under any circumstance. The existence of these tickets made Viagogo itself the seller, rather than the “fans” the site claimed to provide a platform for on their own website at the time: “[Viagogo] is a marketplace that allows fans to buy and sell tickets in a safe and secure way.” Evidence from *Dispatches*’ report, alongside allegations of displaying “false inventory” were enough to steep the business in controversy, but hardly enough to stifle its longevity operating as the same business today. (Viagogo) Don’t think this sort of collusion between promoters and the secondary market is an old practice, either. In December 2015, tickets for Bruce Springsteen’s 2016 tour went on sale on sites like Stubhub, TicketNetwork, and VividSeats for as much as \$5,800 before a single ticket was available from a primary seller. Moreover, The Vulture recently found that “in the first 24 hours after tickets go on sale, an estimated 20 percent appear on secondary sites.” Of their role in the music industry, Stubhub states on their website, “we enable experience-seekers to buy and sell tickets whenever and wherever.” (Stubhub) What this bio conveniently withholds is the fact that the \$4.8 billion grossing site’s most profitable and reliable “experience-seeker” is itself.

All that said, to only criticize the secondary market does nothing to limit its power: that ability lies firmly in the hands of artists and their managers. In addition to being more selective with whom they work, more and more artists are taking advantage of the most promising primary ticket sale strategy to combat resale: verified fan pre-sale. Developed by Songkick and now an increasingly common practice with major tours through Ticketmaster, this strategy requires fans to pre-register with vetted personal information and receive a purchase code that is exclusive to them. According to David Marcus, EVP of Music at Ticketmaster, in the case of Twenty One Pilots, Ed Sheeran, and The 1975, verified fan pre-sale has reduced scalping by 90%.<sup>5</sup> Songkick has had similar results with its own partnerships: Adele’s 2016 tour concluded in a Wembley

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<sup>5</sup> Horowitz, “The Concert Ticket Industry Is Still Broken”

Stadium performance in which only 2% of tickets made their way to the secondary market compared to the 20% industry average.

To review, the secondary ticket market relies on a model of exploitation and misdirection that squeezes money from audiences before they have had an opportunity to purchase tickets through a primary seller. Due to collusion between the secondary market and event promoters, the responsibility lies on the artists themselves to be vocal and selective about the promoters they work with and the fan verification software and strategies they utilize, such as verified fan pre-sale. Although reducing the influence of secondary markets does limit some fans' ability to sell and purchase tickets due to sudden changes in availability, the small loss of convenience is a necessary casualty in the quest for a fair and upfront ticket marketplace.

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