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How to Play the Online Ticket Game

BY BEN SISARIO

EVERYTHING in Don Vaccaro's world is called ticket something-or-other.

There's his software and online resale company, **TicketNetwork**[®], and Web sites like TicketLiquidator.com and TicketsPlus.com. And his trade convention, Ticket Summit. At **TicketNetwork**[®]'s headquarters in leafy Vernon, Conn., software engineers and search-engine strategists take turns feeding the company mascot, a cat named Ticket. (Her kittens: Stub 1 and Stub 2.)

It's a growing, high-tech empire, but Mr. Vaccaro, burly and vigorous at 46, is well aware of his street roots. On a tour of his tchotchke-filled office one recent morning, he pointed to a desk lamp in the shape of an American Indian chief. "That's my scalper," he said with a grin.

Once infamous — and in many places illegal — the reselling of tickets for profit has gone mainstream. Accelerated by the Internet and changes in state laws across the country, it is now a multibillion-dollar business serving consumers who want that last-minute ticket to Taylor Swift or "Wicked."

"The days of scalping sounding like drug dealing in a dark alley are gone," said Randy Phillips, chief executive of AEG Live, whose deal for Michael Jackson's 50-night engagement in London included a partnership with a ticket reseller. "It's all aboveboard. It's very transparent now."

And it's become very easy, thanks to companies like StubHub and **TicketNetwork**[®], which operate vast online marketplaces for what are essentially secondhand tickets, traded after already being sold once by an official box office. Economists call it a secondary market, and it's booming: a report by Forrester Research last year predicted that by 2012 secondary-market sales for entertainment and sports would reach \$4.5 billion.

But scalping has also stumbled on its way to legitimacy. Controversies have broken out over access to high-demand shows, and brokers — the term that ticket resellers prefer, though fans have been slow to accept it — face opposition from politicians and consumer advocates who see them as economic predators.

"Tickets are snapped up seemingly as soon as they go on sale, and the average consumer is forced to go to one of the ticket brokers and pay outrageous prices," said Edgar Dworsky, the founder of ConsumerWorld.org and a former Massachusetts assistant attorney general in consumer protection.

(And talk about an image problem: Is there any profession whose pop-culture representative is as questionable as Mike Damone, the scalper-villain of "Fast Times at Ridgemont High"?)

Last month ticket brokers gathered at a Las Vegas hotel for the fourth annual Ticket Summit, a three-day smorgasbord of products, seminars and networking organized by Mr. Vaccaro. At panels like “Web 2.0: Apps to Expand Your Market Base” and “Building a Public Relations Plan” they rubbed elbows with Internet entrepreneurs, Ph.D.’s, marketing consultants and even representatives of Broadway shows and major sports teams.

“Ex-enemies are now friends,” Mr. Vaccaro said as he darted among panels on the second day. “It’s amazing what money does to people.”

But when one panelist addressed the crowd as “all of you who started in the street,” plenty of stony faces nodded in acknowledgment, and animated arguments broke out over the spread of dynamic pricing, a weapon against resellers that allows for continuous adjustment in primary ticket prices. (Ticketmaster is planning to roll out an extensive dynamic-pricing program this year, an executive said. Its pending merger with Live Nation has brokers terrified about how they might be affected.)

The gold rush on the secondary market has expanded the once-narrow ranks of ticket brokers with all kinds of new blood: dot-commers, suburban moonlighters, ordinary fans unloading an extra pair. There is an unspoken divide between the pre-Internet, “old-school” brokers and the new arrivals, who may know their Web 2.0 apps but have not yet acquired the gut-level instincts of strategic pricing.

Harris Rosner, a veteran broker in Los Angeles whose company, V.I.P. Tickets, carries more than \$5 million in inventory, he said, describes himself a “risk arbitrager” and has to go way back to explain how he entered the business.

“I started to buy and sell commodities when I was about 5 years of age,” Mr. Rosner said. He sold used golf balls and discount bowling games, and when a grocer offered to pay him for coupons, he knew just where to turn: “So I went and made a deal with my grandmother. I said: ‘Nana, I have an opportunity for all these coupons that you cut. We can get paid for them.’ ”

In contrast to the popular image of the ticket trader as a shadowy hustler, the life of the rank-and-file online broker can be surprisingly humdrum. In interviews several small resellers described a job not unlike that of a low-margin day trader. Each morning they scour the Web for passwords to use for special promotions on Ticketmaster, and all day they keep close watch on their secondary-exchange listings, making numerous competitive price adjustments. One New England broker, who also sells office supplies and didn’t want his name used to protect both jobs, said that for this high-maintenance side gig he hopes to make \$40,000 a year.

Mr. Vaccaro seems to pride himself on bridging the generations. He got his start 30 years ago in classic Damone fashion when he snagged 20 tickets for a Jethro Tull concert at Madison Square Garden, and he built his brokerage the old-fashioned way. “I bought and sold tickets on the street for years,” he said.

Technology offered far greater prizes, however, and in 2002 he founded **TicketNetwork**[®], which offers brokers software, Web templates and access to its online ticket exchanges. Mr. Vaccaro would never be confused with Steve Jobs — he is fond of leaving his dark shirts unbuttoned at the top, and mispronounces certain words (“amp-u-theater”) — but he has had enviable success with his company, which now has 220 employees and will have \$400 million in gross sales this year, he said.

“I could never satisfy my ambition in growing the ticket business as a broker,” he said. “Nowadays with software you can really scale your business, and being in the software business is much easier than being in the brokerage business.” (He still owns a brokerage, Metro Entertainment, which sells through **TicketNetwork**[®].)

Jason Berger, a New York broker and former president of the National Association of Ticket Brokers, praised Mr. Vaccaro’s strategies. “A lot of small brokers don’t have the budgets to compete online, but Don has built a successful business aggregating them,” he said. “He’s done a lot for the average, small broker.”

Not long ago an operation like **TicketNetwork**[®] would have been illegal in many states. But by the early 2000s the growth of online ticket sales and the rise of consumer trading sites like eBay and Craigslist forced a reconsideration of old scalping laws, which were largely limited to street sales. At the same time brokers and sports teams — whose season-ticket holders wanted to be able to resell their extras legally — began to lobby aggressively for the repeal of the laws across the country. Price caps in New York were eliminated in 2007, although that law will expire next year unless legislators extend it.

Some politicians are not convinced that the changes have been for the better. Richard L. Brodsky, a Democrat in the New York State Assembly who favors price caps, sees the situation as an example of free-market economic theory run amok.

“At the height of the deregulation craze right-wing ideologues and ticket brokers joined forces with the notion that we want free markets for tickets,” Mr. Brodsky said. “You’ve got everybody spinning off in this wild notion, ‘My God, look how much money there is in scalping.’ And it broke a longstanding social contract.”

Newly legalized, the market developed rapidly. Two years ago eBay bought StubHub, the largest secondary exchange, for \$310 million, and a year later Ticketmaster paid \$265 million for the second-largest, TicketsNow. (**TicketNetwork**[®]’s combined properties rank a distant third by Internet traffic, as measured by comScore.)

Its rise may have been helped by consumer frustration over primary sales, since every time something sells out in a few minutes — common for popular events — fans are effectively being trained to look elsewhere for tickets. Brokers, of course, are partly responsible for those instant sellouts: they routinely bombard Ticketmaster with orders, sometimes with the aid of “bots,” computer programs that evade sellers’ security safeguards. But artists and theaters often share the blame by withholding large numbers of tickets from public sale, reducing the available supply.

A broker’s presence does not guarantee a high price, however. While big markups for a few performers like Bruce Springsteen and Miley Cyrus grab headlines, the majority of concerts on the secondary market have much lower demand — and therefore lower prices. Savvy consumers can benefit when brokers overestimate a show’s popularity and put their inventory on clearance prices. In its report Forrester found that 40 percent of tickets on the online secondary market sold for face value or less.

David Kronstat, a 43-year-old music fan in New Jersey, said he hasn't placed a Ticketmaster order in years "because of how convoluted the whole ticket-buying process has come." Instead he scours Craigslist, trying to avoid brokers by looking for telltale signs of ordinary Joes motivated to sell. "There's always some guy who bought four tickets and can only use two, or can't get a baby sitter," he said. (When told about those lines, one broker said, "That's all stuff that I write on Craigslist.")

To reach the widest potential market most brokers list their tickets on exchanges like StubHub, TicketsNow and **TicketNetwork**[®]. Special software is needed to do that efficiently, and Mr. Vaccaro's is particularly attractive to the little guys because of one ingenious feature: it allows them to borrow one another's listings for their own Web sites, advertising what appear to be huge pools of tickets. As a result hundreds of sites are all essentially offering the same seats.

When brokers use the **TicketNetwork**[®] software, whoever makes the sale gets a commission, even if another party fills the order. This can be great for brokers adept at drawing Web traffic. But it can confuse consumers, who don't always know whom they are buying from until their transaction has been completed.

Mr. Vaccaro's various brands and companies are another complex web. In addition to the software and sales exchanges, he has a trade group, the Better Ticketing Association, and a news site, TicketNews.com, which covers the industry but also runs brazenly biased stories like "Bruce Springsteen tickets available at bargain prices on **TicketNetwork**[®]." A spokeswoman recently distributed an optimistic report on the secondary market by what appeared to be a third party, the Ticketing & Entertainment Research Group; its four authors all work for Mr. Vaccaro.

When asked about conflicts of interest, Mr. Vaccaro said: "Anyone who criticizes TicketNews because it's owned by **TicketNetwork**[®], it's a fair criticism. I would criticize Ticketmaster's publication Live Daily on the same basis."

Last year **TicketNetwork**[®] was sued by the attorney general of Arkansas for listing tickets to a Miley Cyrus concert before they officially went on sale. A similar suit was filed this year in New Jersey over Bruce Springsteen tickets. **TicketNetwork**[®] said it is cooperating in both cases, but a spokesman for the Arkansas attorney said, "We could use some more cooperation."

Some artists, who think resellers unfairly profit from their work, are using tactics to thwart them and collect on the full-market value of their tickets. One is to charge more for the best seats. Another is to eliminate the ticket: For her tour that begins next month Ms. Cyrus is using paperless ticketing, which requires buyers to have photo identification to be admitted. (In an article on TicketNews.com, Mr. Vaccaro was quoted as calling this "a career-ending situation" for Ms. Cyrus.)

Another potential hazard is federal legislation. After a scandal in February when Bruce Springsteen fans were pointed to TicketsNow — Ticketmaster's resale exchange — while face-value tickets were still available, bills were proposed in Congress by Rep. William Pascrell Jr., Democrat of New Jersey, and Senator Charles E. Schumer, Democrat of New York, that would create 48-hour waiting periods before tickets could be resold.

And then there is the big question of whether in the long haul consumers will place their trust in scalpers, demonized for generations as petty criminals.

When asked if every transaction on **TicketNetwork**[®] is legitimate, Mr. Vaccaro said, “Absolutely.” **TicketNetwork**[®], like StubHub, TicketsNow and other services, guarantees the authenticity of the tickets it sells, a claim corroborated by brokers who say they have had to refund tickets for even minor errors in listings.

Then, with a wheezy chuckle, Mr. Vaccaro remembered the speech he gave at the first Ticket Summit.

“I know that you’ve all heard stories,” he recalled saying, “about box-office managers getting cash payoffs, primary ticket outlets selling their tickets directly to brokers, managers selling their tickets to brokers. And I just want to dispel those rumors right now by confirming that they’re all true. This is the way that it was.

“But I think it’s getting better.”

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