

# Startup tries reverse scalping

LOS ANGELES – The woes of the \$22 billion U.S. live event business can be boiled down to one statistic: 20 percent to 40 percent of seats for any given concert or sports game go unsold.

A remedy to fill some of those seats may be reverse scalping: A market in which fans can bid below the ticket's face value, a sort of Priceline for live events.

That, at any rate, is the idea behind ScoreBig, an online ticketing service based in Hollywood that has about 500,000 tickets for sale on any given day – enough to fill 10 Yankee Stadiums. Founded by former NBA executive Adam Kanner, ScoreBig seeks to fill vacant seats at concert halls and stadiums across the country by letting customers bid what they want to pay.

The problem of seats without occupants has vexed Kanner since his basketball days three years ago. Sure he could slash ticket prices, but the NBA didn't want to lose customers willing to pay full price by giving them an incentive to wait for a fire sale. As with many live events, "discount tickets" smacked of desperation – and desperation, in the eyes of the live event industry, doesn't sell tickets.

"Discounting cannibalizes full-priced sales and damages your brand," Kanner said. "The problem was huge, but the solutions were few."

But the current difficult times for the live entertainment business may be an opportune time for ScoreBig. Attendance is ebbing for all but a handful of superstar acts as nervous consumers cut back on discretionary spending. In many cases, seats and tickets are going begging.

The NFL, which once sold out just about every game, in September predicted that attendance in the season that just ended will drop for the third consecutive year and to the lowest level since 1998. The NBA is expecting that 12 percent of seats will go empty this season, up from 10 percent last season and less than 9 percent the year before that. And major league baseball teams, which perennially fail to sell as many as half of their tickets, saw a 1 percent dip in attendance in 2010.

Venues and sports teams largely have themselves to blame for their current state of affairs, Kanner said, because they historically refused to lower prices out of fear it would undercut business.

Rather than risk losing full-paying customers, venues kept raising prices to make up for the empty seats, eventually putting tickets out of reach for most consumers. That in turn exacerbated the number of unsold tickets, creating a vicious cycle.

Now, with attendance slumping for both concerts and sports, the ticketing industry is becoming less resistant to the idea of discounts.

"We always saw ourselves as recession proof," said Mark Meyerson, vice president of business development at ScoreBig and a veteran of the concert business, having worked for the House of Blues, AEG Live and, most recently, as vice president of music services at Ticketmaster. "That was certainly the case – until this recession."

Last summer, headline acts such as Rihanna, Lilith Fair and the Jonas Brothers canceled gigs because of lackluster ticket sales. Concert promoters pushed the panic button and heavily discounted. As a result, the top 50 acts in North America sold \$1.7 billion in tickets last year, down 15 percent from 2009, according to Pollstar.

"We did a massive pendulum swing from overpriced concerts to practically giving tickets away," said Adam Friedman, who until January was chief executive of Nederlander Concerts Inc. in Los Angeles.

For the concert business, the seeds of the problem were sown two decades ago, when ticket prices started a relentless climb as musicians kept jacking up their fees.

They are so expensive that many consumers have forsaken live entertainment. In a flush economy, there were still enough people willing to pay hundreds of dollars for a single ticket, so infrequent fans didn't matter as much. Today, even hard-core fans are pulling back, forcing venues and sports teams to scramble.

But the tools they had for gauging supply and demand, and adjusting prices accordingly, were limited.

"The methodologies for pricing tickets are crude," Friedman said. "If \$50 didn't work, we moved to \$40, then \$30. It was all guesswork."

He came up with a service that combined elements of both – a site that continually adjusts prices through algorithms that weigh a variety of factors, including supply, demand, rate of ticket sales and the lowest price the event producer is willing to accept.

Moreover, ScoreBig avoids marketing to fans who are willing to pay full price and instead focuses on more occasional consumers who need a discount to nudge them along.

One catch: In exchange for getting 10 percent to 70 percent knocked off the face value of the ticket, customers don't immediately know where they will be sitting or even if their bid will be accepted.

Unlike discount ticketing services such as Goldstar, ScoreBig does not advertise exact discounts. It lets customers decide how much they are willing to pay. That can result in one ScoreBig customer sitting next to another ScoreBig customer at an event, with each paying wildly different prices.

Brian Campain, a 35-year-old sales director who likes to catch a basketball game every now and then, checked out the site in early January after hearing about it from a friend. He bid \$80 for a pair of Clippers tickets that would have normally sold for \$180. A few seconds after he submitted his bid, Campain was surprised to learn he got the tickets.

"I didn't think I'd get it, because it was more than 50 percent off," Campain said.

It remains to be seen whether there are enough consumers like Campain for ScoreBig to succeed. The 50-employee company is privately held and does not disclose its revenue. But its business model is compelling enough to have attracted \$8.5 million in venture financing from investors such as Bain Capital and Gideon Yu, former chief financial officer of Facebook and YouTube.

It's also striking the right notes with venues. Friedman, the former president of Nederlander, which books events for the Greek Theatre, the Pantages Theatre and other venues, said the service struck the right balance between offering enough of a discount to get reluctant consumers in the door and not giving away the store.

"It had what I felt was missing in the ticketing business," Friedman said. "That was the ability to dynamically adjust prices based on real-time data. The customer still gets a deal, but they're also paying what they think is fair. And the promoter gets the most he can for the show. Everybody wins."

A few weeks after his first purchase on ScoreBig, Campain bid even lower, \$60 for a pair of tickets to a weekend Clippers game. He landed a pair of seats six rows from the court.

What if he hadn't gotten the discount?

"I probably wouldn't have gone out," Campain said. *Copyright © 2011 Sauk Valley Media. All rights reserved.*



**Adam Kanner, left, and Joel Milne are photographed Jan. 24 at ScoreBig headquarters in Los Angeles. ScoreBig is an online event ticketing service. (MCT News Service)**