



From Challenges to Opportunities

A summary report on the professional sports ticket landscape in 2017

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INTRODUCTION

Professional sports ticketing in 2017 features a set of new and unique challenges but also presents teams with opportunities to innovate and drive revenue-generating loyalty from the fan base. It's a simultaneously tricky and exciting time.

This report does two things in the face of these realities: One, it explores challenges in three key areas: 1) The Secondary Market 2) Personal Seat Licences and 3) Pricing. And two, it outlines some of the effective solutions emerging.

Why read further? Because we did what you don't have time to do. We either personally visited or talked on the phone with 81 ticket executives from 53 teams across the NFL, NBA, MLB, NHL, MLS and minor league baseball to help uncover some of the best ideas, solutions and approaches to challenges in the categories listed above. Without naming names or teams (to protect teams who made the request), let's get to it!

THE SECONDARY MARKET

CHALLENGES

The main challenge here is no secret. Unlike the primary market, when tickets are overpriced, often as a result of negative variables like bad weather, a weak opponent, a poor record etc., the secondary market will drive down the floor price which is bad for teams and the season seat model.

This challenge is compounded when teams over-price season tickets and these ticket holders or brokers can't recoup the majority of their preseason investment. In addition to this occurring with season ticket packages, we see it with the World Cup of "fill in the blank", playoff games with last minute schedule dates (often influenced by TV agreements) and most midweek minor league baseball games before school gets out.

Another challenge faced by teams is when brokers "dump" tickets at well below face value to recover a portion of their investment. For teams promoting season ticket renewals the optics of these low prices, readily visible to all Season Ticket Holders (STH's) with internet access, is challenging to say the least.

OPPORTUNITIES/ IDEAS/ BEST PRACTICES/ EMERGING SOLUTIONS

Partner with brokers to protect the floor price

Some professional teams are partnering with a select network of brokers to help market and distribute tickets. There's often a mutual interest between teams and brokers to protect the market price of tickets (especially the floor rate), and working to find common ground can be of tremendous value for teams and long term invested brokers.

These formal agreements with ticket brokers should also include data. Sharing data from the secondary market helps teams to follow tickets, and price seats in the future. In addition, these partnerships will naturally layer in a watch-dog functionality to expose brokers who don't share mutual goals with the team.

Ticket distribution for these partnerships often includes teams setting aside dedicated blocks of tickets awarded to the highest broker bid in an auction process.

A final word on this, if a team chooses to partner with a ticket broker it's key that everyone's goals are aligned vis-à-vis prices to protect the feelings of existing Season Ticket Holders.

Don't ignore the new "broker reality"

The secondary market online distribution channel (now emerging as corporate partners with many teams) and brokers will remain a big part of the new ticket reality – and one that teams need to understand.

Dynamic Pricing – both up and down

The dynamic pricing of tickets has been the biggest change to the ticketing landscape in recent years. Teams are dynamically pricing tickets based on capacity, and offer variable and dynamic prices based mainly on the feedback they're getting from the secondary market.

Teams are hiring third party companies who have war rooms of PHD's crunching data (on top of adding in-house analytics experts and secondary market thought leaders) to better understand and address the complicated pricing of tickets. That said, for the most part, teams are cheating the intelligence by only dynamically pricing up while ignoring advice to dynamically price down when the data points to lower demand.

There are many benefits to variable and dynamic pricing, including the opportunity to generate greater revenues for premium games and to support attendance capacity & community outreach opportunities for less desired events, but perhaps the most important benefit is establishing a trusted partnership with Season Ticket Holders. Teams who avoid variable and dynamic pricing risk eroding their Season Ticket Holder base when they don't highlight the STH's ticket price for premium games, and offend STHs when they overcharge for less desired games. With real-time data like never before, providing market value awareness, and corresponding pricing action - both up and down - is key.

Consider a Ticket Buy Back or Ticket Exchange program

Some teams are instituting Ticket Buy Back programs (at the dynamic market rate) to protect against ticket dumping on the secondary market. When tickets are sold below the STH variable rate on the secondary market it offends the Season Ticket Holder and negatively conditions the single game buying fan. A team's brand is prone to fluctuation and perception is key to protecting it. Many teams also have active ticket exchange programs with different rules in place should you wish to exchange a future or past event. For more on this see the "Pricing" section beginning on Page 6.

Ideas to protect against inflated values in the secondary market

Brokers have discovered the power of the secondary market to increase both prices and profit, and although this is easy to criticize it might also be the biggest feature brokers bring to your market. Why? Because, on one hand, yes it has a negative impact for the single game buyer, but on the other the inflated broker price reminds every season ticket holder how lucky they are to have acquired or retained Season Tickets, and so it does valuable work to protect that base.

Let's set aside this debate for a second and explore some ideas teams are implementing to combat the issue of inflated prices on the secondary market:

- Some teams are instituting policies that state, should they discover tickets on the secondary market they reserve the right to refund the original purchaser the invoice price and re-sell the ticket.
- Arenas are releasing a late batch of tickets to kill a heating up secondary market.
- Teams are cracking down on season ticket accounts being transferred to brokers or associates of brokers.
- Teams are also monitoring the secondary market to flag corporate and private accounts who are selling to brokers.
- The holding back of the release dates of season tickets, or staggering the ticket's release dates, to kill the runway for brokers to market future games.
- Taking back tickets and buying back PSLs currently held by brokers.
- Eliminating the PDF feature to make transferring tickets more difficult.
- A best practice, increasingly common at concerts, is to have fans enter the arena with tickets matching the name of the buyer's credit card. This is an attempt to cut out national brokers and protect the true fans from getting the best sight lines.
- Encouraging fans to report inflated seat prices on the secondary market and asking teams to re-issue the ticket after it's been reported.

PERSONAL SEAT LICENCES (PSLs)

CHALLENGES

While PSLs are a valuable, and an increasingly important revenue stream for teams, they also present challenges. For one, they're a new expense for fans and companies, which is tough to accept and simply not financially feasible for some markets. Typically they are introduced as a channel to help finance a new stadium.

It's also challenging to price PSLs properly. For new stadiums, who are in a pre-construction phase, you don't know what the stadium *actually* looks like, or what the view will be like from each seat, during the primary sales period.

In addition, as much as team performance and in arena costs will influence ticket demand, ticket cost, maintenance fees and requirements to take on unwanted additional ticket inventory connected to the PSL will determine the PSL value.

Finally, an additional PSL challenge is that the profit that can be realized by transferring a season ticket (easily done with a PSL) will often entice true fans to exit their Season Tickets which often results in greater inventory for the less passionate business or broker community.

OPPORTUNITIES/ IDEAS/ BEST PRACTICES/EMERGING SOLUTIONS

Seating Arrangements

Too often seat locations are clumped together to make PSL values easier to understand and manage, but as ticket values increase the idea that a ticket in Row 1 of a section is equal to a seat in Row 9 or 21 is not realistic, and should be addressed. PSLs, and tickets for that matter, should probably have 30-40 different price points.

Price your tickets to encourage people to make the PSL investment

For PSLs to work the most effective programs are when the buyer believes his ticket price is lower than the ticket value. Without this belief there is little reason for someone to commit to a full season of tickets or a PSL.

Take action if you don't want brokers in your market

Some teams are blocking the brokers they can identify from acquiring original seats and transfers. For existing brokers, teams are issuing higher priced Season Ticket invoices and making the yearly financial terms too expensive for them to operate. That said, overall we're not convinced after researching this report that a good broker partnership isn't good for your business.

Partner with an outside service

NFL clubs and other leagues have hired outside agencies with specific PSL sales and management experience. A PSL transfer is a reflection of your team and should be treated with the respect of a sales opportunity particularly when you're on-boarding a new Season Ticket holder.

Some other ideas (particularly effective when adding optional PSLs to an existing stadium):

- **Reduce F&B Pricing:** Consider reducing F&B pricing across the stadium to lower the game day cost for PSL holders.
- **Perks for PSLs:** have features attached to PSLs that aren't granted to regular season seat holders (See "Pricing" below for ideas).
- **Adjust PSL values to better reflect market realities:** Clearly pricing and valuing is a challenge with PSLs, but there is evidence of teams lowering prices in sections that are not proving to be as desired as initially expected.
- **Consider hiring Real Estate expertise:** Teams could learn by hiring people with real estate experience to sell PSLs. A real estate background would be helpful in showcasing the value of an ownership position.
- **"Add a PSL to lower the ticket price":** An idea to consider is offering current season ticket holders the incentive to lower their yearly season ticket price if they add a PSL.
- **Price down and up:** Teams are pricing up PSLs in response to what the market exposes, but pricing down offers value too, a theme you'll see in various places in this report.
- **Offer financing:** A few teams are offering financing for their PSLs.
- **A good transfer structure:** People will be motivated to buy and sell PSLs if they know that settlement and ownership is efficient. Delays will discourage both parties from engaging in the process, in addition to creating a bad first impression with your new season ticket holder.
- **Freeze ticket prices for PSL buyers:** We have seen evidence of teams freezing the price of their tickets attached to PSLs for up to 5 years.

PRICING

CHALLENGES

Pricing is tricky. This isn't a news flash, but it's definitely the truth. And pricing is tricky both short term and long term.

Short term, the million-dollar question is how to protect declining game day ticket values. With the potential for the secondary market to drive down the floor price, teams must ask: "Do we price to maximize revenue, or price to support capacity?" Complicating this challenge is the fact that fans are learning that when they buy tickets close to game day, or even at game time, they often can pay a better per-ticket price (without the upfront commitment a STH pays).

For teams, undervaluing ticket prices reduces the potential profit they get from the original ticket buyer, while overvaluing prices can result in unused inventory and/ or have a negative effect on future purchases. This highlights the challenging fact that primary ticket sellers, unlike those in the secondary market, must consider the interests of future audiences when making pricing decisions.

Long term challenges exist too. With so many variables in play at once -- player salaries, stadium operations costs, currency exchange, new ownership in some cases, the local economy and competing local/national interests, to name a few -- price partners and internal analytics can help. Recognizing that it's a sophisticated guessing game to predict a ticket's value 12 months in advance of a game is another reason to price low for your STH base compared to the market value and your variable single ticket price. Fortunately, by pricing low for the Season Ticket Holder, teams can dynamic price up their single game tickets when warranted in order to gain additional profits, or dynamically price down to support attendance, and still protect the Season Ticket Holder. The sniff test to determine if you're pricing properly to protect your STH is if the secondary market price is above the STH cost.

OPPORTUNITIES/ IDEAS/ BEST PRACTICES/EMERGING SOLUTIONS

Offer “value adds” that create a feeling of exclusivity

A strong Season Ticket Holder base clearly has a positive impact on ticket prices. Thus, we feel strongly that getting STHs to feel like they're members of an exclusive club is a good business strategy. Ideas to build a stronger emotional connection to your brand, and incentivize STHs to re-purchase, are among the most interesting and innovative in the game.

The following is a list of ideas for consideration. We share them with the understanding that, due to the structure and location of some stadiums, won't be possible in all markets:

- Unique STH-only events
- Uber credits for STHs
- Early entry/exclusive entry
- On site STH membership clubs
- Reward-upon-entry giveaways
- Discounted F&B
- All-inclusive food
- On court promotions for STHs
- Discounted merchandise
- Food credits during renewal
- Offer companies year-round access to their suites
- Road trip experiences
- Guaranteed promotional giveaways
- Ticket exchanges
- Free or discounted parking
- STH only restrooms
- STH F&B lines
- STH preferred rate for additional tickets
- Away game tickets
- Exclusive, unique gifts
- Player interaction

Provide assurance for recouping costs

Value adds are great, and looking for opportunities to enhance the STH experience is key. That said, providing a STH with the assurance that they can recoup the cost of tickets they can't use, or aren't interested in using, is the number #1 reason why fans obtain and retain season tickets. One small market NBA team lost their biggest star, and still retained a 98% renewal rate, simply by employing this strategy.

Price tickets just below perceived value

To counter the challenges of pricing future games (some of which are mentioned above) we suggest pricing Season Tickets slightly below your perceived ticket value to protect STHs from negative variables. Single game ticket buyers, who are less important to your business, should pay the inflated dynamically increased price when the variables are positive.

Eliminate value-add perks if you buy from an online channel

To keep value-add perks out of the hands of those who buy from a national broker consider a program where a scannable membership card (or digital app) is available for Season Ticket Holders who purchase directly from the team. The card would unlock a set of game day perks. Corporate or private accounts could add any number of memberships (learn more about your fan base) that would automatically register at the stadium entrance. This would be difficult to activate for a national broker who has no relationship with the buyer.

Evaluate your Food and Beverage pricing

To expand your audience and/or please your best customers, lower your Food and Beverage prices. If you understandably can't be concerned about your fan base who cannot afford your tickets, then do it for your season tickets owners who can't place tickets with clients, staff or friends because the onsite experience (sans the ticket cost) is too expensive. That said, a billion dollar new NFL stadium is following the lead of a famous golf event and trying this in 2017-2018. Our prediction is that the positive impact of this feature will overshadow the disappointing season the team is having on the field.

Offer Ticket Exchanges...in various forms

Ticket exchanges are of value and give STHs confidence they can recoup their initial financial outlay. Pre-game exchanges for tickets to a future date are increasingly popular in minor league baseball. An idea we also like is ticket exchanges for different events in the same building or under the same parent company umbrella. A hockey ticket credit towards a basketball game or in the case of soccer, the ability for teams to exchange a Tier 1 ticket for a number of Tier 2 tickets. This is also a great way to get back inventory for sold out events while also learning about your single game guest audience.

Be willing to price down

Many teams have little problem pricing up in the primary market when they notice trends increasing in the secondary channel. However, most teams ignore the discounted prices on the secondary market and take no action downwards. Pricing a ticket @ \$75.00 in the primary

market that's 20 rows behind a \$11.00 seat on an online ticket channel is not going to build loyalty or trust with your fan base.

Hire PhDs

Companies like Digonex, QQ, Stratsbridge and Price Master from Ticket Master have math-god PhDs on the payroll to help price either for revenue or capacity. To maximize their value to your pricing goals don't handcuff them by asking them to show anything but the true market intelligence and challenge them to price to revenue and capacity.

Consider a "Value" STH Package

One idea to consider is a "Value" Season Ticket Holder package that doesn't include the big ticket/big-star games, but still generates value for your home town fan base. This would allow you to be more affordable, while also increasing your inventory for the biggest revenue games.

Consider a "Mini" STH Package

Three recent championship teams (NBA, NHL and NFL), who could easily sell out their venues with full season ticket packages, are retaining their Mini STH offering. Cosmetically it looks like a "thank you" gesture, but it's also being done for business reasons due to the higher per seat price vs a full season and to increase the teams season ticket data size to offset the impact of departures during an eventual team or economic downturn.

Consider Season Ticket Exempt Sections

Consider removing certain sections as Season Ticket options. Some teams have figured out that by creating group seating sections for regular games they can dynamically price increase for feature games that makes the seat more profitable as a non-season ticket.

Offer Year-Round Renewals

This was introduced to us by a team who has lost three of their big stars over the last three years, yet continues to be a league leader in attendance, regardless of the fact that they play in a very competitive market place. By renewing 2 and 3 year STH agreements, all year-round, they help avoid the exposure of a poor record, star player exodus etc. when the season ends.

Know your priorities. Know your model.

Teams should ask themselves an honest question, namely, "Is a full season of committed tickets important to our business model?" If the answer is "no" or "not really" then by overcharging your existing Season Ticket Holders you'll eventually regain your seat inventory – with which you can dynamically price to maximize revenue from every event. If the answer is "Yes, I want to retain Season Ticket Holders", then we recommend you follow the quote below:

"Price to protect the individual seat value and add Season Ticket Holder perks the secondary ticket market can't duplicate."

CONCLUSION

In conclusion, the days of having to buy Season Tickets to ensure you can see your favourite team or player are over. Great tickets are available for pretty much every game -- for a price-- and unlike a private sports club membership non-members can acquire one day passes which has eliminated the need to commit to all 81, 45, 41, 16 or 10 games to ensure entry.

So, how to proceed in this new ticket sales environment? For one and as evidenced above, price protection is more important than ever. If the Season Ticket Holder over the course of a season can buy single game tickets (in a similar location to his own) on the secondary market at prices below his game price then alarm bells should be ringing (both yours and his). If he doesn't know his price then tell him so he doesn't misinterpret his costs. One team who doesn't put a price on their tickets sends out a pricing chart showing the variable rate of tickets and the STH forecasted 25% discount.

Secondly, teams recognizing they can't control the win/loss record variable are building Season Ticket holder perks that the ticket exchange channel can't match. This constellation of perks offers the Season Ticket Holder a "membership" independent to his ticket location: Private entry, F&B and merchandise discounts, on-site exclusive arena access, player interaction, off sight partnership perks are just a few examples. Depending on your stadium features we recommend brainstorming with your team to develop "value add" ideas to support your clients making a full season ticket commitment.

Finally, we end where we began: by stating that these are exciting times, full of challenge and opportunity. During the course of our research we spoke and learned from some brilliant & passionate ticketing executives, and we're excited by the fact that each league helped shape this document with creative revenue channels that are resonating with fans.

If after reading this report you recognize the value of our research and the impact it could have to support your ticketing revenue and/or capacity goals, let us know. In the event we can't figure out how to help (it happens) we'll guide you to someone who possibly can.

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