

AUSTRALASIAN **LEISURE MANAGEMENT**

\$9.50 (inc GST)
NZ \$10.50 (inc GST)

www.ausleisure.com.au

SEPTEMBER/OCTOBER 2007

BOX OFFICE

The Ticketing Revolution

SPORT

*Teams head for the Gold Coast
Beijing Olympics Exports
Synthetic Surfaces*

AQUATICS

*Craigie Leisure Centre
Swim Teacher Shortage*

PLUS

*Getting NZ Active
Interviewing AALARA's Stan Durkin
Creating a Risk Management Culture*

Reclaiming the Box Office

Tim Roberts explains how event producers and venue managers are set to recapture the relationship with their customers

For some time, industry rumours have been circulating that Live Nation, Ticketmaster's single largest customer with a contract that expires next year, was considering cutting Ticketmaster out of the loop and dealing with its customers directly. A rumour seemingly confirmed by an end of August New York Times story in which Ticketmaster's current Chairman and CEO jointly announced that "it did not expect to extend its long-term contract with Live Nation, the world's biggest concert promoter."

Similarly, Cirque du Soleil is set to go straight to its consumers with its own online ticketing service in many markets. Many venues are no longer outsourcing the box office and they are also cutting out the agent middleman.

In July, at the second annual US TicketSummit, Fred Rosen, Chief Executive of Ticketmaster from 1982 to 1998, stated that "more than ever, venues want to be empowered. The dominance of the Internet and the flexibility of today's market now give us the opportunity to introduce a new ticketing model."

And Rosen should know. During his sixteen years at Ticketmaster the company's revenues grew from less than \$1 million to more than \$2 billion annually.

The new model will see event producers go about recovering their relationships with their customers while venue managers follow closely behind as they look to cease outsourcing their box office and cut out the agent middleman.

Agents of Change

Historically ticket agents have provided an important service distributing 'hard' tickets. But industry needs have changed. With the advent of computerised ticketing systems in the 70s, ticket agents facilitated access by operating outlets throughout a city, state and eventually the country. With the adoption of credit cards in the 80s, telephone purchase became a viable option. Again, agencies offered greater accessibility by operating large call centres as well as outlet networks that benefited from the economies of scale.

Now with the advent of online ticketing a venue or organisation can operate an outlet in every home and workplace, and it is open 24 hours a day seven days a week. As a result, we may be about to see the end of an era for the traditional ticket agency model.

As technology has reduced the need for the 'middleman' in numerous industry sectors, disintermediation (removing intermediaries in a supply chain - the process whereby companies now deal with every customer directly) has flattened or shortened the supply chain and done away with the need for middlemen altogether. The result has been increased transparency and reduced costs to consumers by their dealing directly with the producer. This is becoming the norm in many industries (for example in book and music retailing and in travel).

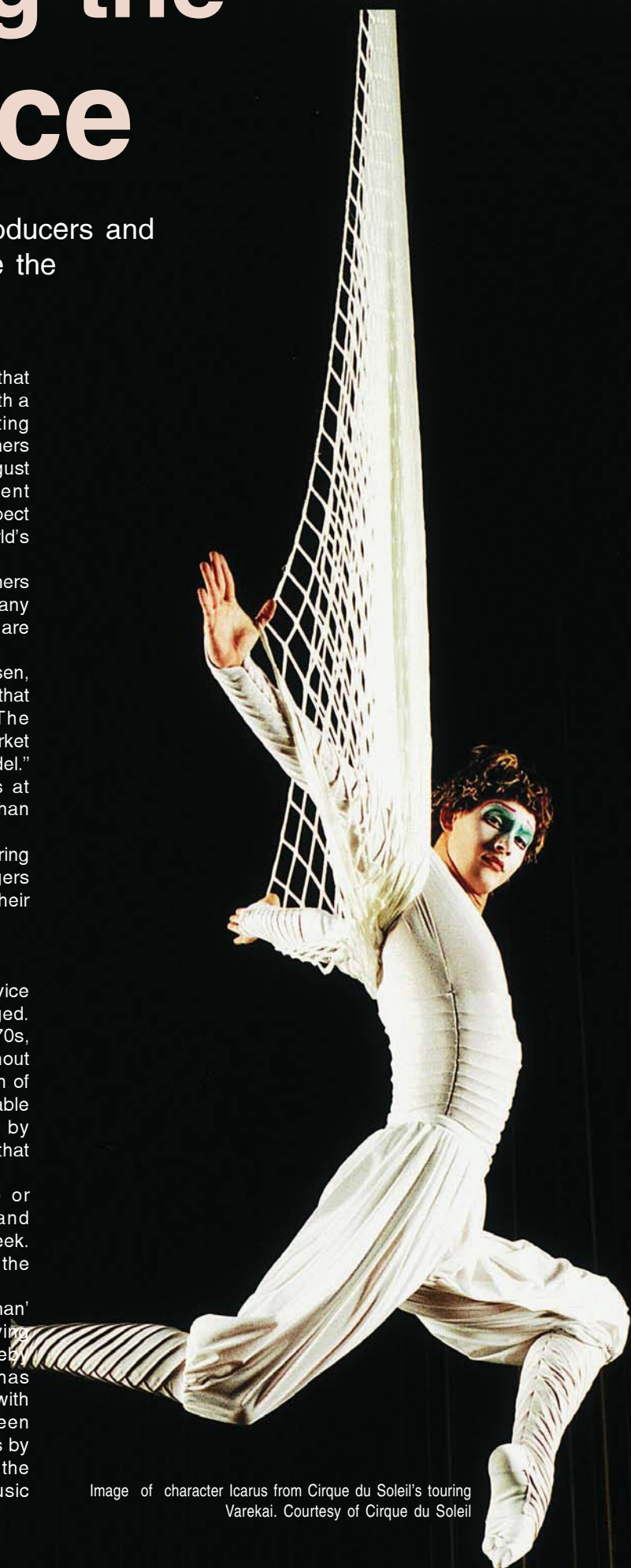


Image of character Icarus from Cirque du Soleil's touring Varekai. Courtesy of Cirque du Soleil



Changes in ticketing and access models will change promoters and venues' relationships with customers. Images courtesy of The Gabba/Grand Entrance Contol.

Already the norm in ticketing in the USA, disintermediation has not yet happened in sport and entertainment in Australia.

Agency Business Model

The traditional ticket agency business is built on a foundation of turnover volume. As a result, much of the market strength of ticket agents is built on their ability to offer tickets for a guaranteed broad range of events. The key to this is binding as many venues as possible to venue-exclusive ticketing contracts. We are familiar with the conditions of hiring a venue that includes the requirement to use its contracted service provider.

The increasingly commoditised nature of ticketing agency business (with higher turnovers and more self-service) means that competition is increasingly based purely on price and inventory protected by venue-exclusive ticket agency contracts. Market share is protected and competition handicapped, rather than competing on enhanced service offerings and standards.

Ticket agencies are the respondent in an unhealthy 'ménage à trois' where a venue exclusive ticketing contract causes the arts organisation to divorce itself from having a personal relationship with its audience.

Owning the Customer

The position that many ticket agencies have adopted seems to stem from a potentially unhealthy market dominance. This market dominance was by virtue of the previously perceived need for an extensive distribution or outlet network to ensure availability combined with the strategy of venue-exclusive ticketing contracts. While access and availability is important, it could be argued that the arts (in particular) never required the intensive distribution that convenience or mainstream products require.

Speaking at the NZ Ticketek Stakeholders Workshop in November 2006, Brendon Bainbridge, Country Manager, Ticketek New Zealand stated "the customer owns their data." While this statement sounds reasonable, the actions of Ticketek show that in reality, Ticketek considers that it owns the customer relationship.

Ticketek regards all people purchasing tickets from it as their customers, not customers of the producing/presenting organisations. While some may suggest that Ticketek adopts this policy to comply with the Privacy Act 1988, this is not a strong enough argument as the other major ticketing agent operating in Australia, Ticketmaster, operates a diametrically opposite policy in which they provide customer data to venues and arts organisations, the event owners.

The ticketing agent 'owning' the customer is a farcical situation and is highly damaging to the health of the

entertainment industry in Australia. A ticket is a derived demand and only purchased because the public want to see an event of a particular producing/presenting organisation. In no sense is the ticket agent any more than an agent - legally defined as someone authorised to act on behalf of the principal. The ticket agent undertakes no risk on an event and does not even transfer ownership of the seats it sells for an event like a normal 'retailer'. The risk and exposure remains wholly with the event owner and the ticket agent only adds a margin for the 'service' of distribution. The ticket agent should be the last organisation to be legally considered as owner or protector of the customer data. At most, it may be a trustee of customer data. The customer data should be owned and shared by the venue and the producing/presenting organisations, who should have equal say over what happens to the data of their attendees - their customers.

Managing the Customer Relationship

Relationship Marketing treats marketing as a process over time rather than single unconnected events or transactions. The high volume fast turnover business of ticket agents is at odds with the greater service requirements and expectations of entertainment consumers, in particular arts audiences. A disadvantage of the Agency domination of ticketing is an interference in or diminution of the relationship between the entertainment organisation and its audience. Entertainment organisations in this day and age need more than just transaction based ticketing. They must have levels of customer information and service in keeping with the more advanced requirements of customer relationship management (CRM).

CRM moves an organisation from a transaction emphasis to a customer focus delivered as relationship marketing. By competitive necessity and technological innovation, we are



Transaction Marketing	Relationship Marketing
Single sale focus	Focus on customer retention
Product features orientation	Product benefits orientation
Short time-scale	Longer time-scale
Little emphasis on customer service	High customer service
Limited customer commitment	High customer commitment
Moderate customer contact	High customer contact
Quality is primarily a concern for production	Quality is the concern of all staff

Transaction v Relationship Marketing. From M. Christopher, A. Payne & D. Ballantyne; A Transaction vs. a Relationship Marketing Approach; Butterworth-Heinemann (UK) 1993

moving beyond the short-term focus of transaction marketing that is dependent upon the fuel of expensive mass media to fire demand. The differences between a transaction and relationship marketing approach are contrasted above.

CRM - Compromised Relationship Management?

The current ticketing agency service model compromises the development of a direct relationship by coming between a producer or venue and its customers, forcing interaction with customers to take place at arm's length. Beyond the agency service cost implications, third party agency services limit the personalisation and responsiveness of service to customers and compromises the accuracy and comprehensiveness of customer and transaction information collected.

An entertainment or arts organisation has a variety of markets or constituents it services from current, previous and lapsed customers, to funding bodies and sponsors, to schools, corporate and community groups, to artists and other industry members. The best way to manage this diversity of constituent

Alvarado's PocketGate is a flexible barcode ticket validation device for venues that have entry points without turnstiles.



relationships is effective Customer Relationship Management.

CRM is based on three principles: developing a long-term relationship and focusing marketing efficiently; customer retention as a fundamental goal and to develop sustainable relationships an organisation must commit to an ongoing two-way dialogue.

The box office is the main channel for audience development and customer relationship management. Whether you work in sports, arts or concerts and other entertainment, you all share one thing in common - encouraging attendance and repeat attendance. In fact it can be easy to get people to attend something once, but never again. However, successful teams, companies and venues are built upon increasing frequency of attendance, building recency by getting people back sooner and encouraging them to spend more with you. You may recognise this as RFM (recency, frequency and monetary value) - the mantra of CRM.

With the strategic concerns of audience development and the successful retention of audiences in mind, the contrast between transaction and relationship marketing highlights the growing inappropriateness of the traditional approach to ticketing, particularly as currently practiced by ticket agencies.

The Longer Reach of CRM

With the increasing strategic importance attributed to a CRM approach, as opposed to a basic transaction facilitated by the simpler outsourced agency model, more organisations are seeing the need for an organisation-wide integrated model. When successfully implemented, CRM has a long reach into an organisation and this extends in two dimensions.

Depth - An aim of CRM is the development of a deepening relationship over time. The resulting customer loyalty is demonstrated by increasing commitment to, and support of, the organisation and its goals. An additional benefit is that loyal customers are more prepared to take risk and can

be more forgiving of momentary lapses in the quality of service provided if such problems are handled sensitively and responsively.

Breadth - Customers come into contact with an organisation via a variety of touch points, not just the box office. The challenge is to integrate the various different customer facing functions such as box office counter, call centre, email newsletters, website, subscriptions department, sponsorship, groups office and so-on. To facilitate this it is essential to develop one source of truth for the whole organisation. When it comes to customer records it is efficient to avoid the wastage of duplication, but it is a responsibility under the Privacy Act to respect privacy and avoid inaccuracy and error.

Thinking Outside the Box Office

In the future, how will the Box Office interact with the rest of the organisation? Will it be seen as an internal 'service' or as driving CRM strategy for the organisation and all its activities? After all, success is built upon how well an organisation understands what its customers have already told it, and how it makes effective use of that information.

The box office is no longer ghettoised, it is increasingly seen as one of the main points of customer contact. It plays an ambassadorial role as the first point of enquiry and start (and potentially finish) of a relationship. "You only get one chance to make a first impression."

The dominant retail business model of our industry needs to change to provide the direct relationship that technology facilitates, organisations need and customers are demanding in this new customer focussed environment. Agents are now facing the cold realisation of an evolution from the dinosaur to a new CRM age.

Tim Roberts is the Principal Consultant of ARTS Australia and has over twenty years experience in entertainment ticketing and marketing around Australia and internationally. To find out more go to www.artsoz.com.au

With UK author Roger Tomlinson, Tim co-authored the book Full House: Turning Data into Audiences which was commissioned by the Australia Council for the Arts and Creative New Zealand. The book is available for purchase online at www.artsoz.com.au/fullhouse

