

Money, Money, Money: An Exploration of the Impact of Rising Ticket Prices on Consumer Perceptions

Senior Honors Thesis by Colleen Brown (BSBA2024)
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Abstract

Concerts are a key focal point of the music industry. They connect artists and fans to create value for both. Ticket prices for concerts, however, have increased to a point that has caught the attention of mainstream media. To analyze the impact of ticket pricing trends on consumers' interest in concerts and sentiment towards the artists themselves, this study surveys 213 students to explore their interactions with ticket markets and their perceptions of their favorite musicians. Results from this study show that while consumers are often upset by prices that exceed their predetermined thresholds, their opinions of their favorite musicians do not negatively change as a result. Notably, respondents often considered themselves price sensitive, yet often purchased tickets above their self-imposed price threshold. The disconnect between consumers' price evaluations, sentiment towards artists, and actual purchasing has significant implications for price setters in the music and concert industry.

Introduction

Ticket prices are rising – fast, faster than inflation and faster than previous years. The Wall Street Journal dubbed 2023 as the “The Year of the \$1000 Concert Ticket” (Wolfe, 2023). Headlines discussing high ticket prices are ubiquitous among popular publications such as The New York Times, and The Wall Street Journal. Despite the possibility of an economic downturn and an overall spending slowdown, fans are continuing to splurge on concert tickets (Louis, 2023). The question is: **what impact do rising ticket prices have on consumers' perceptions of musicians?** Right now, megastars like Taylor Swift and Beyoncé are charging more than ever but still sell out shows. Will consumers continue to purchase tickets if prices continue to rise? Will high ticket prices hurt musicians' reputations?

A 2023 end-year analysis of the top 100 worldwide tours estimated an average ticket price of \$130.81 (Allen & Gensler, 2023). According to Götting (2022) ticket prices increased faster than inflation between 2011 and 2019. After adjusting for inflation, I found a 2.7% (or a \$3.05) average annual increase in ticket prices over the eight years. Between 2022 and 2023 prices increased by 23.33% (Allen & Gensler, 2023).

Overall, ticket prices are escalating rapidly, and are driving the circulation of a great deal of money. As of the late 1990s, live entertainment has become the main revenue stream for many musicians (Hollenberg, 2019). Concerts were once a means to promote recorded music, but now they serve as way to offset illegally downloaded music and the low revenue from streaming.

Methodology

Participants:
18-25-year-olds pursuing a bachelor's degree at the University of North Carolina at Chapel Hill, enrolled in the Kenan Flagler Business School. 213 participants.

I employed a multiple methodology via survey questionnaire. This survey included close ended questions (quantitative) and open-ended questions (qualitative).

Finding #1

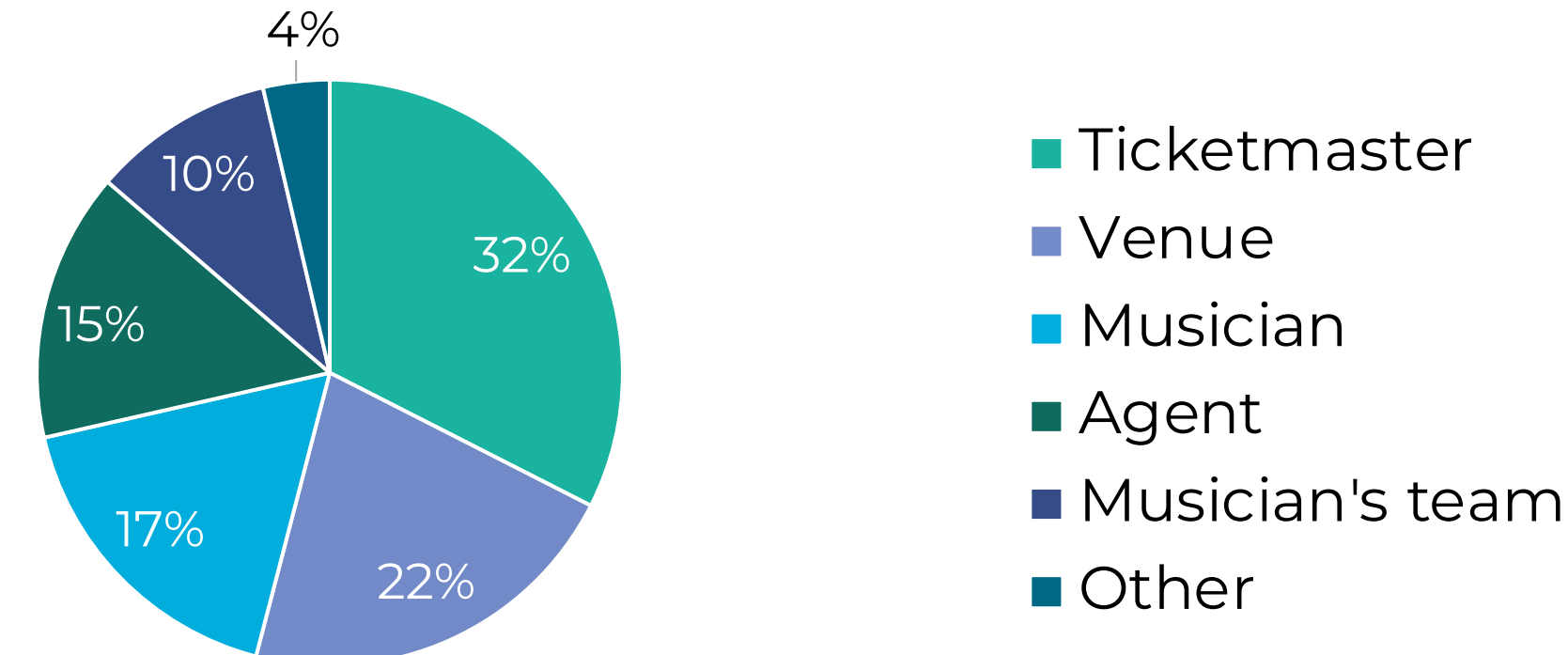
Rising ticket prices have a minimal impact on consumers' perceptions.

- Consumers don't appear to blame the musicians when ticket prices are above their personal price threshold.
- On average, respondents somewhat disagree that prices above their price threshold negatively affect their perception of the musician.
- Therefore, ticket prices can be raised without highly impacting musicians' relationships with their fans.

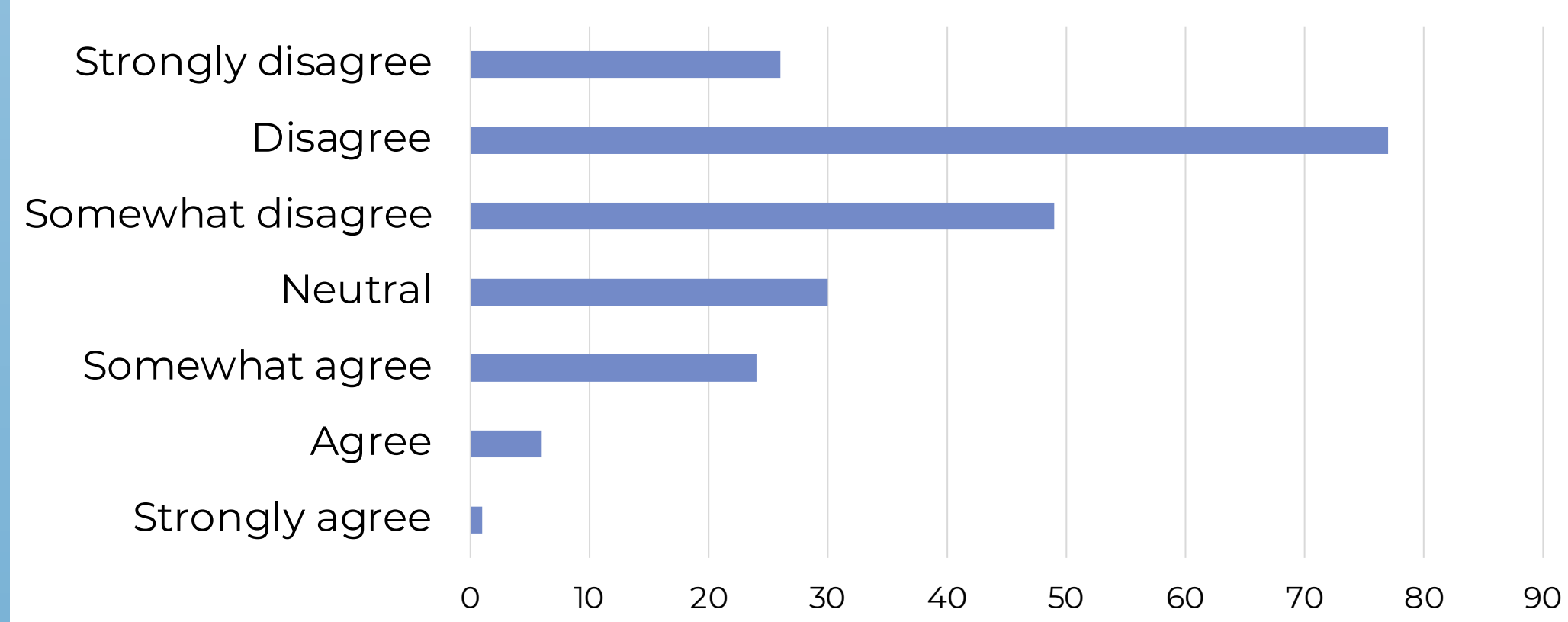
Suggestion:

- Price setters commonly underprice tickets to avoid reputational damage. Price setters should minimize their use of underpricing as musicians' reputations are not negatively impacted by prices. Implementing dynamic pricing can increase profits from ticket sales.
- While dynamic pricing is often initially viewed as unfair, Abrate et al. (2019) suggests that over time consumers accept an industry's use of the strategy. Musicians' reputations can withstand the shift in pricing strategy since consumers are not blaming them for price shifts.
- Additionally, if price setters provide transparency of options (prices of other seats, other show dates, etc.) price unfairness will be even more minimized.

Participant Perception of Most Influential Person on Ticket Price (Ranked #1)



If the price is above my price threshold, it will negatively change my perception of the musician.



Finding #2

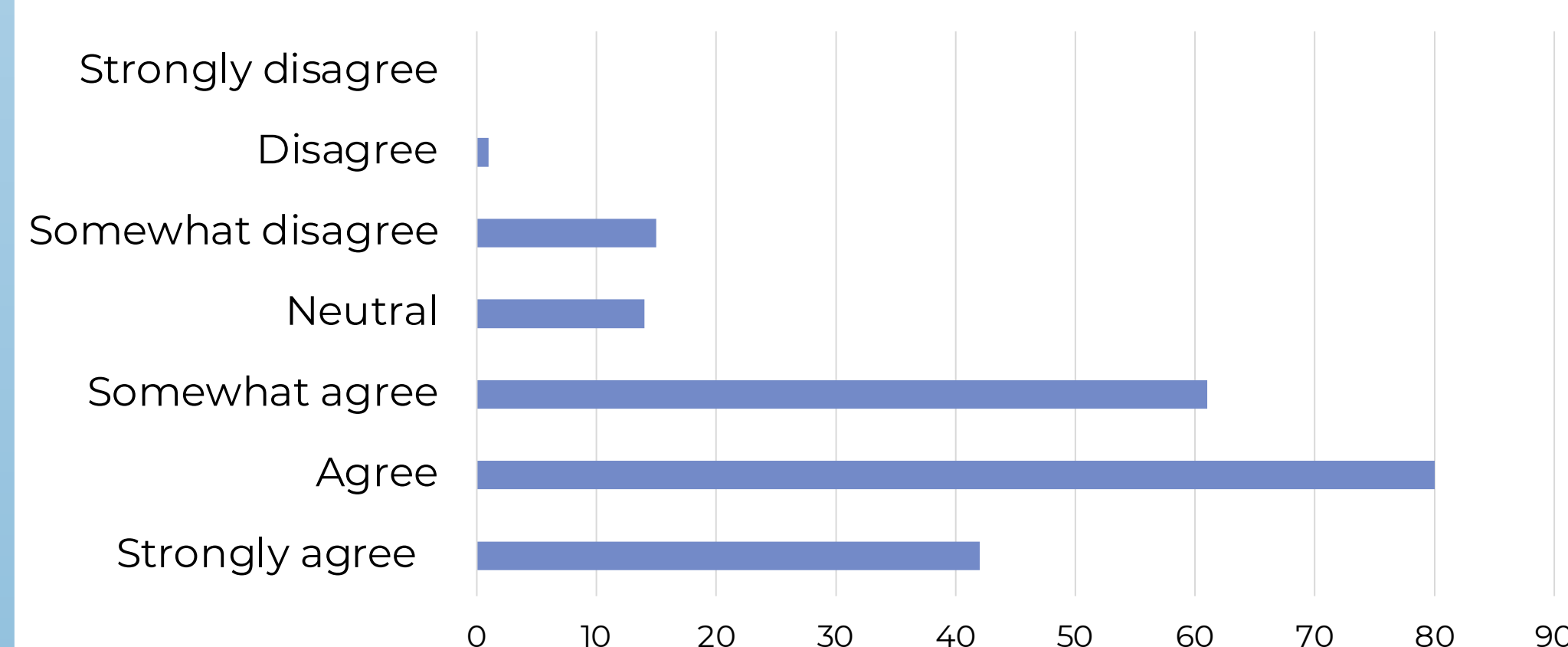
Many consumers appear to be somewhat price sensitive.

- Consumers responded negatively about their feelings towards concert tickets being priced above their personal price threshold. This result shows that sentiment does not always translate to purchasing behavior.
- Those that did not attend a concert in the past year cited tickets being too expensive as the main deterrent.
- Those who are the most price sensitive may stop buying tickets. However, some consumers despite their price sensitivity, exhibit somewhat inelastic demand, potentially continuing to purchase tickets even if prices surpass their threshold.
- The possible loss in revenue can likely be offset by the increased earnings from higher ticket prices.

Suggestion:

- Price setters should exercise caution regarding price sensitivity but should not overly restrict their prices. Musicians with smaller fan bases should more cautious. Smaller fan bases imply two things: (1) less demand for tickets, therefore scarcity does not factor into price and (2) a smaller fan base means that fewer total fans exist with high incomes and low-price sensitivity. Therefore, assessing the demand levels and fan base sizes when considering price increases.

"I am Price Sensitive to Concert Tickets"

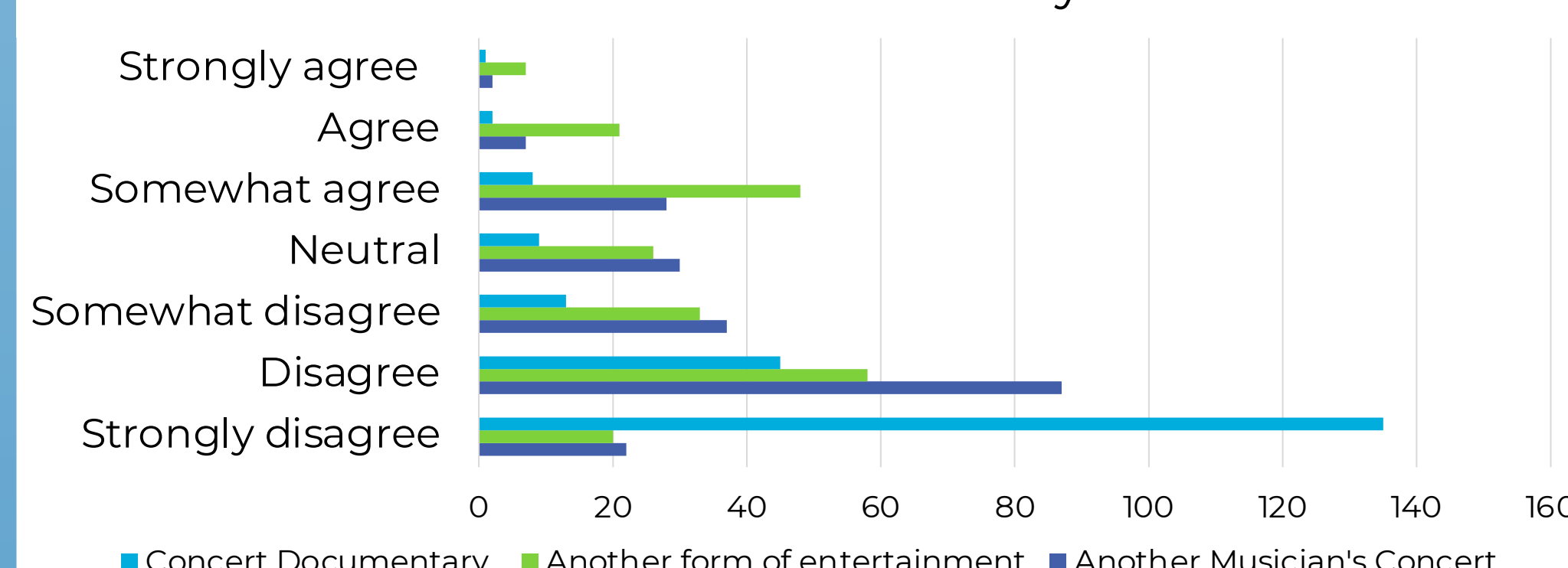


Finding #3

Consumers are somewhat willing to substitute other entertainment choices for concerts

- Despite rising ticket, consumers do not appear to find another musician's concert, another form of entertainment, or a concert documentary suitable to replace the utility they receive from attending a specific concert. This highlights the strong pricing power of concert tickets. This furthers the argument that price setters should not worry about raising prices, as consumers cannot find a suitable replacement elsewhere.

Substitution Flexibility



Recommendations

- Rerun this survey and perform a deeper analysis.
- Conduct a study using informational interviews from both concert industry professionals and avid concertgoers.
- Perform a mixed methods study with a more representative sample.
- Conduct a multiple methods study comparing two different age demographics.
- Perform a multiple method study comparing United States consumers and European consumers.
- Perform a case study on an industry leader such as Taylor Swift.

Overall, more research should be conducted in this area. The limitation of time of an honors thesis prevented me from performing as in-depth of an analysis as I wanted. However, I believe my research is great start to trying to tackle the pricing of concert tickets and consumer perceptions

Conclusion

In response to my research question “**What impact do rising ticket prices have on consumers' perceptions of musician?**” The findings of my study suggest that rising ticket prices have minimal influence on how consumers perceive musicians. Importantly, only a small percentage of consumers believe musicians are the main influencers on price. This perceived lower level of influence is likely the reason why perceptions of musicians generally remain unchanged. Therefore, consumers will likely still attend their favorite musician's concert if they can afford it – even if the price is higher than the maximum threshold they intend to pay.

A disconnect exists between consumers' pre-existing willingness to pay, actual purchasing behavior, and perception of musicians. Due to this dynamic, an increased price may lead to the loss of a sales but not a loss of favorability in the mind of consumers.

To retain and acquire consumers, ticket price setters should assess the characteristics of the concerts that consumers identify as purchase motivators and evaluate the effect that those motivating factors have on perceived ticket value, and therefore purchase behavior. If the motivators besides price are strengthened, then consumers may see the concert as more valuable and therefore will pay more. As long as musicians can either retain or acquire higher-paying consumers, they can maintain or increase sales.

Acknowledgements

Dr. Claudia Kubowicz Malhotra
Dr. Annie Williams
Dr. Timothy Ott
Dr. Patricia Harms
Dr. Michael Meredith
Paul Mihos and Sandra Lee

Ken Weiss
My Father
My Family
Music



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