

Variable ticket pricing in Major League Soccer: The case study of David Beckham

Issadee Kutintara, University of Northern Colorado

Dianna Gray, University of Northern Colorado (Advisor)

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Abstract 301**

Variable Ticket Pricing (VTP) refers to changing of the price of sporting-event tickets based on the expected demand for that event (Rascher, McEvoy, Nagel & Brown, 2007). Professional teams started introducing VTP based on the fact that ticket prices depend upon several criteria, rather than solely on seat location. The different price levels were based primarily on the time of the year, day of the week, holidays, the quality of the opponent, or the opponent's star players. Based on this demand-oriented pricing, a growing number of teams in the major professional leagues reduced their tickets prices in order to raise attendance during the low demand season or games, and raised prices in the high demand games for the express purpose of increasing revenue.

Pricing strategies differ considerably from one league to another. In Major League Baseball (MLB), several teams have implemented a form of VTP (King, 2002b; Rishe, 2003), but others have been reluctant to vary the price. For example, the St. Louis Cardinal reduced ticket prices for early spring and late fall while raised the price for summer months. The Colorado Rockies charged extra when plays with NY Yankees, and the San Francisco Giants charged higher ticket price for weekend games. In the case of professional football, the NFL is unique compared to the other three major professional leagues since it has fewer games (8 home games for the regular season), competitive balance exists, and sellouts are common (Markiewicz, 2002). These factors keep demand relatively constant, and it is difficult to determine what is a premium or non-premium game. Consequently, VTP is not used in the NFL.

Although there is some evidence of the benefit of employing variable ticketing pricing, nonetheless there are issues with this pricing strategy. Since prices are set before the season starts, variable pricing does not perfectly match the expected and true value of different games (Rishe, 2003). If a team set its prices primarily on the expected quality of the opponent or its star players, and that opponent does not perform up to expectations or the star player is absent due to injury, then the price of the ticket does not reflect the product's actual value.

Major League Soccer (MLS) has been considered one of the fastest growing professional leagues. MLS saw an increase in regular-season attendance in 2007, up 8.9% for an average of 16,767 from 15,390 in 2006 (MLS Attendance, 2007). MLS commissioner, Don Garber, expects that each franchise will be profitable by 2010. To achieve this goal, the league has employed several strategies such as expanding to 16 franchises by 2010, building soccer-specific stadiums, and securing long term national television agreement.

One of the most important efforts of this strategic plan was to sign a 5-year contract with a guaranteed \$6.5 million annually with David Beckham, the former captain of England's national team and one of the most renowned world class soccer players. This marks the highest player contract in MLS history. David Beckham had an immediate impact for the LA Galaxy and in each of other eleven markets. The LA Galaxy has drawn an average 34,377 fans for eight road games since his debut (Sports Business Daily, October 23, 2007), and 13 games were sold out despite the fact that Beckham got injured. Besides filling stadiums, he also elevated the league's media presence by raising MLS regular-season rating on ESPN2 from 0.2 to 0.3 and a number of households by 44.6% (Sports Business Daily, October 25, 2007).

Some MLS teams employed variable ticket pricing due to the high demand created by Beckham's presence by raising the single game ticket price of the game against the Galaxy. In some cases, the home team included the Galaxy game with three others in four-pack ticket. Despite increasing the price of the Galaxy games after Beckham's debut, the tickets were sold out even before the arrival of David Beckham. However, David Beckham's ankle injury caused him to miss games. This incident raised the issue of fan dissatisfaction and the disadvantage of variable ticket pricing.

The following objectives guided this study: to investigate how Major League Soccer franchises generate revenue by employing variable ticket pricing in the case of David Beckham; to examine how the league responded to fans disappointment due to the injury of David Beckham; and to identify ticketing strategies for generating more revenue from the presence of a star player.

The results of this study will give insight into the applications of variable ticket pricing, particularly in the situation of the debut of a major star. The arrival of the biggest star in the sport generated massive interest among the sport's fan to attend games when Beckham was scheduled to compete. On the other hand, the absence of a star player could adversely impact fans support;

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especially if variable ticket pricing was employed to reap the revenue from the investment in the star player.