A Qualitative Exploration of the Ticket-Pricing Process Used in Intercollegiate Athletics

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Intercollegiate athletic departments across the United States are facing mounting pressure to become more self-sufficient (Ridpath et al., 2015). As a result, the ability to secure and sustain external sources of revenue have become an essential expectation of many athletic administrators. As few universities enjoy capacity crowds for athletic events, administrators can look toward ticket sales as an area of revenue generation with potential for growth. However, a more thorough understanding of the college ticketing phenomenon is necessary, including the specific aspect of administrative pricing decisions. A lack of research in this area is disconcerting because ticket sales account for a significant portion of generated revenues by athletic departments (Fulks, 2015), and price can be considered a gatekeeping mechanism due to its influence on ancillary revenue streams (Fort, 2004; Krautmann & Berri, 2007).

Therefore, the purpose of this study was to explore the decision-making processes of intercollegiate athletic administrators in pricing game tickets for revenue sports through the lens of strategic planning, which provides organizational direction over an extended period of time and is the point of departure from which all administrative initiatives and decisions should originate. Using a sample of Football Bowl Subdivision (FBS) administrators, this study was designed to answer three research questions: (1) What is the primary ticket pricing objective for revenue sports? (2) What factors are important to the ticket price decision-making process? (3) What is the process for making ticket pricing decisions?

Although organizers have long charged admission to sporting events, ticket pricing has evolved into a sophisticated and profitable venture (Rascher & Schwarz, 2010), through strategies such as Variable Ticket Pricing (VTP) and Dynamic Ticket Pricing (DTP). Although pricing research has helped explain such strategies (Rascher, McEvoy, Nagel & Brown, 2007; Drayer, Shapiro & Lee, 2012), and consumer behavior studies have informed sport ticket pricing theory regarding value (Drayer & Shapiro, 2009; 2011; Drayer, Rascher & McEvoy, 2012) and factors influencing attendance (Zhang, Wall & Smith, 2000), relatively little has been done to explain pricing from a managerial perspective. What does exist has been narrowly focused on ticket office managers within professional sport, including studies of the National Football League (Reese and Mittelstaedt, 2001) and English Premier League (Clowes & Clements, 2003). This leaves gaps in the literature regarding administrative pricing decisions within intercollegiate athletics, as well as the perspectives of a broader group of administrators involved in pricing.

A phenomenological approach was used to gain a better understanding of ticket pricing in intercollegiate athletics through the voices of those responsible for making such decisions. A total of 20 administrators (i.e., athletic directors, external operations directors, business officers, marketers, development directors, ticket managers) representing two Power 5 conferences and two Group of 5 conferences participated. Data were collected via thought-listing exercises and semi-structured individual interviews. Two coders independently analyzed the data and discussed emergent themes until agreement was reached.

In answering RQ1, analysis of the data yielded four categories of pricing objectives, although the majority of administrators identified multiple objectives. Consumer-oriented objectives exhibit administrator concern for issues such as affordability, fairness, and widespread opportunity to attend events. Revenue-oriented objectives include the desire to maximize, or at least grow, revenue for the department via ticket sales. Sales-oriented objectives describe administrator concern with maximizing ticket sales to increase attendance and ultimately pack the athletic venue. Finally, the “Goldilocks” orientation describes an administrative desire to find the price that is “just right” for the department, where tickets are neither over- nor under-priced, and locates the “sweet spot” where all tickets are sold at the highest possible price.

In answering RQ2, analysis yielded seven categories of factors that administrators consider when determining ticket prices for college sports. Schedule-related factors such as the number of contests, strength of schedule, day of game,
and time of year were considered to be the most important factors when determining prices for revenue sports. Research and analysis factors represented the utilization of archival and research data to assist in the decision-making process. Team performance factors (i.e., wins and losses) were also considered to be important considerations when determining ticket prices. Athletic administrators also noted the influence of external stakeholders in the pricing process, such as the need to understand the socioeconomic status of constituents within the local community, as well as demonstrating fairness and building relationships. The next category described discriminatory pricing practices such as formulating creative pricing and/or seating categories within a venue in an attempt to boost attendance, fill a stakeholder need, or more efficiently utilize lagging inventory. Administrators also consider fan experience factors such as the atmosphere, entertainment, and excitement when determining price. Lastly, competitive comparison factors are considered when determining price, including comparisons to other forms of entertainment and peer institutions.

In answering RQ3, as opposed to existing linear pricing models suggested in sport literature (e.g., Pitts & Stotlar, 2013), the ticket pricing model proposed in this study is cyclical in nature to account for the predictable seasonal rhythm of spectator sport. As indicated by administrators, the previous year’s price will always act as the baseline for pricing decisions in the upcoming year. Then, either one or a small group of individuals engage in advance scouting to obtain necessary information to initiate the ticket pricing discussion, which may include preliminary projections based on multiple proposed scenarios. Next, administrators consider all relevant factors (i.e., those factors described above) and then collaborate between those involved in the pricing decision process. Necessary adjustments can then be made to the existing ticketing menu as needed. Once projections are adjusted to reflect the suggested changes decided upon by the group, a final pricing decision will be made. After pricing decisions have been adopted and implemented, the pricing committee or an ad-hoc group of committee members will meet for any potential one-off strategies that are considered throughout the season. Evaluation of the season’s efforts will occur concurrently as the next cycle begins and previous year’s prices are discussed.

This cyclical pricing model is thought to be an important contribution because the commodity under consideration is intangible in the sense that live sport events are consumed in an experiential fashion, and thus is not likely to fit traditional pricing models suggested for durable goods. Furthermore, considering this intangible, experiential nature, the perishability of sporting events is unique in that there is no value for a ticket once the game has ended, which brings an abrupt end to the product life cycle with a fleeting period of decline in the final moments leading up to the event start time to liquidate or otherwise dispose of unutilized inventory. Also, reference pricing plays a key role in this pricing structure, as it is the point of departure from which all pricing decisions for the following cycle are made.

If athletic administrators adhere to the tenets of strategic planning, formal goals should be developed to form coherence among the group and provide a platform to properly assess the department’s return on objective, which appears to be lacking from the findings of this study. Additionally, despite the need for revenues in college athletics and the flexibility of pricing tactics available, findings suggest that drastic price changes are not common in college athletics, adding support to the theory that sport tickets are priced in the inelastic portion of the demand curve (Fort, 2004). Furthermore, current findings suggest that donations are among the ancillary revenue streams (e.g., concessions, parking, merchandise) protected by inelastic ticket pricing.