

## Terms of reference and conduct of the inquiry

### Terms of reference

1. On 10 June 2009 the OFT sent the following reference to the CC:
  1. In exercise of its duty under section 33(1) of the Enterprise Act 2002 ('the Act') to make a reference to the Competition Commission ('the CC') in relation to an anticipated merger the Office of Fair Trading ('the OFT') believes that it is or may be the case that—
    - (a) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation in that:
      - (i) enterprises carried on by or under the control of Ticketmaster Entertainment, Inc. will cease to be distinct from enterprises carried on by or under the control of Live Nation, Inc.; and
      - (ii) the value of the turnover in the United Kingdom of the enterprise being taken over, as specified in section 23(1)(b) of the Act, exceeds £70 million; and
    - (b) the creation of that situation may be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services, including the supply of live music ticket agency services.
  2. Therefore, in exercise of its duty under section 33(1) of the Act, the OFT hereby refers to the CC, for investigation and report within a period ending on 24 November 2009, on the following questions in accordance with section 36(1) of the Act—
    - (a) whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and
    - (b) if so, whether the creation of that situation may be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services.
  3. In relation to the question whether a relevant merger situation will be created, the CC shall exclude from consideration one of the subsections (1) and (2) of section 23 of the Act if they find that the other is satisfied.

**(signed) Ali Nikpay**  
**Senior Director, Office of Fair Trading**  
**10 June 2009**

### Conduct of our inquiry

2. On 10 June 2009, we posted on our [website](#) an invitation to express views to us about the merger, and, on 24 June 2009, we posted an [administrative timetable](#) for

our inquiry. This administrative timetable was updated on 1 September 2009, 23 September 2009 and 5 November 2009.

3. We received written evidence from Live Nation and Ticketmaster, and we posted a non-confidential version of their [joint main submission](#) on our [website](#). We also held hearings with both Live Nation and Ticketmaster.
4. We also invited a wide range of interested third parties to comment on the proposed merger. We sent detailed questionnaires to artists' agents, promoters, venue operators, primary ticketing agents, secondary ticketing agents and trade associations. We gathered oral evidence through nine hearings with selected third parties. [Submissions](#) from third parties and [summaries of our hearings](#) with third parties are also on our [website](#).
5. On 13 July 2009, we published an [issues statement](#), which we posted on our [website](#).
6. Members of the Inquiry Group, accompanied by staff, visited Live Nation's UK offices and Ticketmaster's UK offices and, in the course of our inquiry, we sent to Live Nation and Ticketmaster some working papers for comment.
7. On 8 October 2009, we published our [provisional findings](#) and a [notice of possible remedies](#), which we posted on our [website](#).
8. On 5 November 2009, we published a [notice of extension](#), which we posted on our [website](#). This extension changed the deadline for our inquiry to 19 January 2010.
9. We held hearings with Live Nation, Ticketmaster and Eventim to discuss possible remedies, and had conversations with many other parties.
10. On 22 December 2009, we published our final report, which we posted on our [website](#).

### ***Appeal and remittal***

11. On 19 January 2010, Eventim lodged a Notice of Application with the Tribunal, challenging the decision in our final report of 22 December 2009 to clear the merger between Ticketmaster and Live Nation.
12. On 11 February 2010, the Tribunal ordered that this decision be quashed and the questions contained in paragraph 2 of the terms of reference dated 10 June 2009 be referred back to us for reconsideration and a new decision. The Tribunal ordered us to issue a new decision within three months.
13. On 25 January 2010, following approval (subject to conditions) from the Department of Justice in the USA, Live Nation and Ticketmaster had completed their merger. Therefore, pursuant to section 37(2) of the Act, we considered the merger during the remittal period as a completed merger rather than as an anticipated merger, and we treated the reference as if it had been made under section 22 of the Act. Accordingly, we considered the questions set out in section 35(1) of the Act, namely whether a relevant merger situation had been created and if so, whether the creation of that situation had resulted, or may be expected to result, in an SLC within any market or markets in the UK for goods or services.
14. On 12 February 2010, we republished the report that we had previously published on 22 December 2009 as our further provisional findings, and we posted this report on

our website. We invited all interested parties to provide us with comments on our further provisional findings by 5 March 2010.

15. On 25 February 2010, we posted a [revised administrative timetable](#) on our website.
16. On 10 March 2010, we accepted undertakings from Live Nation and Ticketmaster, which committed Live Nation and Ticketmaster to hold separate their two businesses in the UK for the duration of our inquiry.
17. We received written submissions from Live Nation and Eventim in response to our further provisional findings, and we posted non-confidential versions of these submissions on our website. We also received comments from both Live Nation and Eventim on each other's submission, and both parties provided us with detailed responses to our many questions.
18. We held hearings with Live Nation and Eventim, and we posted summaries of these hearings on our website. We received comments from both Live Nation and Eventim on each other's hearing summary.
19. On 7 May 2010, we published our revised final report, which we posted on our [website](#).
20. We would like to thank all those who have assisted in our inquiry.

## The live music industry

### Industry size and trends

1. In recent years, the live music industry has grown rapidly. In the same period, the value of sales of recorded music has fallen. Figure 1 shows estimates by PRS for Music of the value of live music ticket sales.

FIGURE 1

### Value of live music ticket sales

[✂]

Source: PRS for Music.

2. In the period 2004 to 2008 the total increase in the value of live music ticket sales was over [✂] per cent. Whilst an increase in average ticket prices accounted for some of this growth, we estimated that there was an increase of over [✂] per cent in the volume of ticket sales.
3. These figures include booking fees but do not include other ancillary income, for example merchandising, which can generate a further 15 to 25 per cent of the ticket price.<sup>1</sup> The growth in the industry has also resulted in greater advertising and sponsorship revenues, estimated at around £89 million in 2008.<sup>2</sup>

### Drivers of growth in the live music industry

4. Promoters, venue operators and ticket agents gave us several reasons for the growth in the live music industry:
  - (a) a reduction in the value of sales of recorded music, resulting in an increasing need for artists to tour in order to generate income;
  - (b) the growth in 'heritage tours' by bands which were successful in the past, appealing to consumers who might not otherwise attend live music events;
  - (c) a wider diversity of festivals, appealing to a wider base of consumers;
  - (d) consumers placing increasing value on attending exclusive events; and
  - (e) the low cost of tickets for live music events compared with other occasional leisure expenditure.

### Ticket price trends

5. Figure 2 shows the average price of tickets sold by Ticketmaster for all live entertainment events between 2003 and 2008.

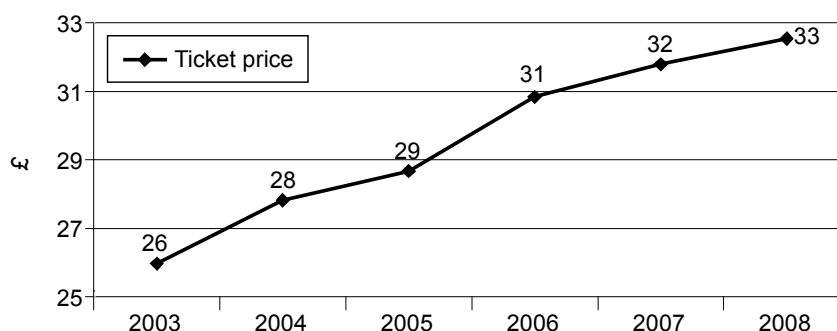
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<sup>1</sup>The Live Music Industry, Lecture by John Williamson, 4 February 2008.

<sup>2</sup>Adding up the Music Industry for 2008' Will Page, Chief Economist PRS for Music, based on figures from FRUKT music marketing agency.

FIGURE 2

**Average primary ticket price (excluding booking fees)**



Source: Ticketmaster.

6. In the five years to 2008, Ticketmaster's average ticket price grew by over 25 per cent, equivalent to an increase of 6 per cent in real terms.<sup>3</sup>

***Growth in the provision of live music venues***

7. In the last three years, several venues have opened or reopened following renovation, including the O2 Arena in London, with a capacity of 20,000, and Wembley Stadium, with a capacity of 80,000 (see Appendix G).
8. The number of live music festivals has also increased. Efestivals listed 500 festivals taking place in the UK in 2008 (not just live music festivals), compared with 12 festivals in 2000.

**The live music industry supply chain**

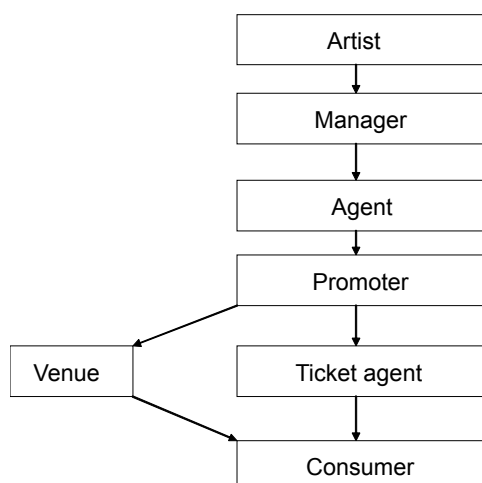
9. Figure 3 shows the key participants in the live music supply chain.

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<sup>3</sup>The real increase is calculated using RPIX (the All Items Retail Prices Index excluding Mortgage Interest Payments) as the measure of inflation.

FIGURE 3

### The live music supply chain



Source: CC analysis.

### **Artists and managers**

10. The Pollstar booking agency directory lists over 15,000 artists worldwide.<sup>4</sup>
11. Artists are generally self-employed and employ a manager to negotiate all aspects of their commercial relationships, including with record labels and agents. Artists and their managers are responsible for the content and production of a tour (eg sound and lighting).
12. For a live music tour, an artist usually receives a guaranteed fee of around 85 per cent of net tour revenues (calculated on the basis of all tickets selling out). Live Nation told us that this percentage had increased in recent years. The artist also receives a share of net merchandising revenues. If an artist performs at a festival, the promoter bears the production costs but the artist will only receive a flat fee for performing.
13. An artist's manager receives a proportion of the artist's total net revenue, after fees and expenses.

### **Artists' agents**

14. An artist's agent is responsible for maximizing the artist's income from a tour. Artists and their managers use agents because they have a good knowledge of the costs in different geographic markets and relationships with promoters in each market. An agent will invite and evaluate bids from promoters to handle an artist's tour (or part of a tour), and will negotiate terms with promoters on behalf of the artist. An agent receives a proportion of the artist's income from a tour, typically between 10 and 20 per cent.

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<sup>4</sup><https://store.pollstar.com/c-2-directories.aspx>.

## **Promoters**

15. A promoter is responsible for organizing and promoting an artist's tour (or part of a tour), including contracting with venues, organizing advertising, and engaging ticket agents. Often, artists use the same promoters each time they tour, but contract with their preferred promoter for each tour separately, ensuring, through their agents, that the bids they receive are competitive. The promoter will estimate the cost of the tour and suggest the appropriate ticket price to the artist/agent. An artist/agent may choose a promoter because of the promoter's expertise in a particular genre of music or in a particular geographic area.
16. The promoter takes most of the risk of an event being unsuccessful, as the artist receives a guaranteed fee and the venue receives a minimum rental fee.

## **Venues**

17. A promoter will propose to an artist/agent which venues to use for a tour, on the basis of size, location, suitability to the genre of music and reputation.
18. On the basis of size, venues can be categorized as follows:
  - (a) Stadiums are large permanent outdoor venues, usually with a capacity of over 25,000, but not dedicated to live music. Ticketmaster estimated that, in 2008, almost 3 million tickets for stadium live music events were sold in the UK.
  - (b) Arenas are large permanent indoor venues, usually with a capacity of between 5,000 and 20,000, with live music events as their primary use. The National Arenas Association estimated that, in 2008, around 10.4 million tickets were sold for events at its members' venues.
  - (c) Concert halls, ballrooms, theatres and large clubs are among the mix of other venues which are used for live music events, with a range of capacity from 1,000 to 5,000.
  - (d) Pubs and small clubs, with a capacity of below 1,000, host many live music events. Ticket sales for events in these venues are difficult to estimate as many do not use ticket agents.
  - (e) Festivals are events with multiple artists, usually held outdoors in a temporary venue, and usually lasting more than one day. Many festivals are focused on a particular genre of music. Live Nation estimated that, in 2008, around 5.5 million people attended one of the 345 festivals in the UK.
19. Many venue owners have contracted out the management of their venues. Venue managers are responsible for the physical operation of the venue and provide services such as security and a box office.
20. Most venues have rate cards setting out the terms for renting the venue, including the proportion of tickets which will be retained for sale by the venue. In most cases, the venue retains around 50 per cent of the tickets, but some venues retain up to 75 per cent. These tickets will either be sold in person at the box office (for which there is usually no booking fee) or by the venue's ticket agent. Some venues 'self-ticket' instead of using a ticket agent (eg the NEC and the SECC), using licensed ticketing software.

21. Venues also earn revenue from food and beverage sales and usually retain 25 per cent of any merchandising sold on behalf of artists. Many venues also generate income from sponsorship.
22. Live Nation told us that a large venue (eg an arena) would host around 100 to 120 events a year, while a small venue might host more.
23. Many promoters are also venue owners and managers, including Live Nation, SJM, Metropolis and AEG.

### **Primary ticket agents**

24. Primary ticket agents sell tickets on behalf of promoters or venues (and, occasionally, directly on behalf of artists). In 2008, Ticketmaster made just under [%] per cent of its live music primary ticket sales on the Internet, compared with just over [%] per cent in 2004, illustrating a general trend of consumers making more use of the Internet in order to purchase their live music tickets. Most of the remaining ticket sales are made by telephone through call centres, with a small proportion made in person at the box office.
25. Ticket agents charge a booking fee (also known as a convenience or service fee) and a transaction (or processing) charge. Most booking fees are typically between 10 and 15 per cent of the ticket price, though the percentage can vary depending on the value of the ticket. In most cases, the promoter or venue for which the agent is acting receives a rebate from the booking fee. The ticket agent bears the cost of selling the ticket, including any credit card processing charges and the cost of dispatching the ticket.
26. Although the ticket agent is dependent on the promoter's advertising of the event, the agent will also market the event to its customer base. Therefore, promoters tend to use a range of ticket agents to ensure that they gain access to the widest base of customers and provide the best opportunity for an event to sell out.
27. For popular events, ticket agents may have to process large volumes of tickets very quickly.
28. The largest primary ticket agents for live music events in the UK are:
  - (a) Ticketmaster (see Appendix C);
  - (b) See Tickets: formed in 2002 when the Really Useful Group bought Way Ahead, and sold in 2008 to Stage Entertainment; See Tickets is the main ticket agent for SJM and Metropolis;
  - (c) Ticketline: supplier of ticketing and box office services throughout the UK, from its base in Manchester;
  - (d) Seatem: with regard to live music, Seatem is focused mainly on selling its ticketing software to venues and other ticket agents, but it also sells large volumes of tickets, in particular for exhibitions and other events;
  - (e) Stargreen: focused on selling tickets for events in the London area, including live music, West End theatre, shows and musicals, and tickets for festivals around the UK; Stargreen has been established for over 30 years;



- (f) Ticketfactory: provider of self-ticketing for the NEC, and seeking to sell tickets for other venues and promoters;
  - (g) Ticketsoup: provider of self-ticketing for the SECC, and seeking to sell tickets for other venues and promoters;
  - (h) Ticket Zone: an independent ticketing service provider, which operates throughout the UK from its base in North Devon; Ticket Zone has been established for over 25 years;
  - (i) lastminute.com: seller of a large number of theatre tickets (around 1.5 million tickets a year), but does not sell many live music tickets;
  - (j) Gigantic: a recent new entrant, which seeks to differentiate itself as an ethical agent, donating 10 per cent of its profits to Oxfam; and
  - (k) HMV: a recent new entrant, having partnered with the Mama Group (an owner of live music venues), aiming to sell tickets both online and through its stores.
29. For the ten years preceding 31 December 2009, Ticketmaster was Live Nation's preferred ticket agent. However, in 2007, Live Nation signed an LOI with Eventim, under which Eventim would become Live Nation's preferred ticket agent in the UK from 1 January 2010 (see Section 6 of the main report). Eventim is a promoter and ticket agent, operating in 18 countries in Europe. Eventim's systems handle more than 70 million tickets a year.
30. Changes in technology have facilitated several trends in primary ticketing:
- (a) the sale of tickets can be 'white-labelled', enabling many affiliates to sell tickets to their customer bases (eg magazines, radio shows, etc);
  - (b) tickets can be printed at home with a unique bar code to be read at the venue (though there can be problems with inter-operability if several ticket agents sell tickets for the same event);
  - (c) a venue or ticket agent can purchase or license an 'off the shelf' ticketing system (eg from Seatem, AudienceView or Tickets.com), to enable self-ticketing or entry as a ticket agent;
  - (d) some ticket agents are beginning to offer 'shopping basket' functionality, enabling the sale of other products (eg merchandise); and
  - (e) some ticket agents (including Seatem) have developed ways to enable multiple ticket agents to view and sell the same ticket on behalf of a promoter or venue, through simultaneous access to the ticket inventory, so removing the need for allocations and reallocations of tickets to agents.

### **Secondary ticket agents**

31. Secondary ticket agents, eg Seatwave and Viagogo, enable consumers to resell tickets to other consumers through an online marketplace.<sup>5</sup> Viagogo told us that between 15 and 20 per cent of tickets are resold in the secondary market at a price

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<sup>5</sup>Viagogo told us that over 90 per cent of customers registered on its website sold fewer than 10 tickets per year. Viagogo recognized that it was possible for professional traders to use its exchange but said that there was no evidence of them doing so in large numbers.

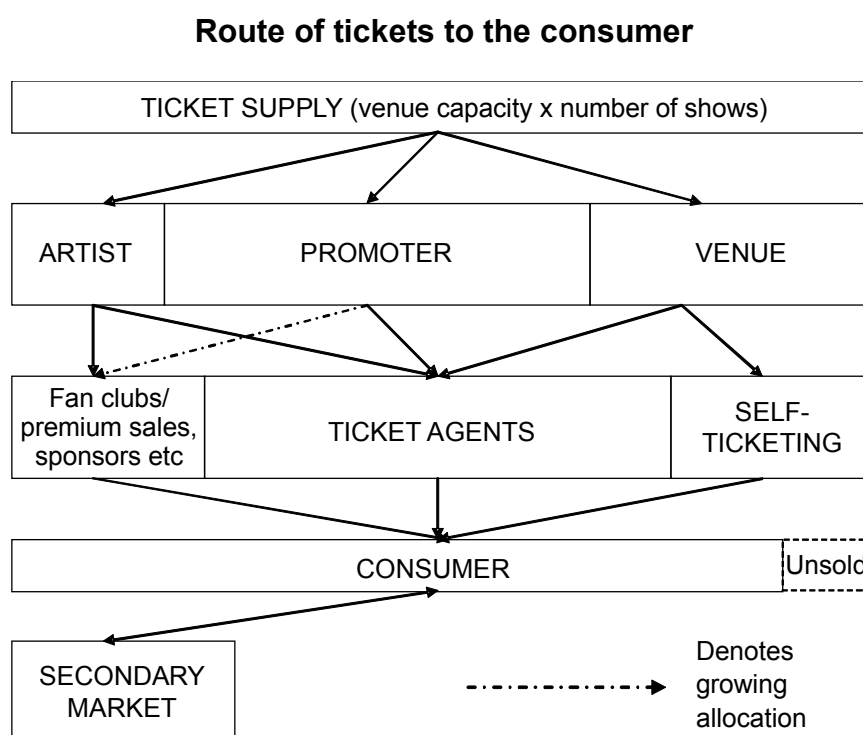
which is, on average, between 15 and 20 per cent higher than the ticket face value. Secondary ticket agents are often unpopular with artists and their agents as they capture revenue for an event which does not get passed on to the artist. Secondary ticket agents earn income from fees paid by both the buyer and the seller.

32. Secondary ticket agents act occasionally as primary ticket agents when they receive an allocation of tickets from a promoter or venue. Occasionally, promoters or venues choose to sell premium tickets through secondary agents as these agents have customer bases willing to pay higher prices and, by selling through different channels, the promotion of the standard tickets is not affected.

## Ticket sales

33. Figure 4 summarizes the various routes by which a ticket for a live music event can reach the consumer.

FIGURE 4



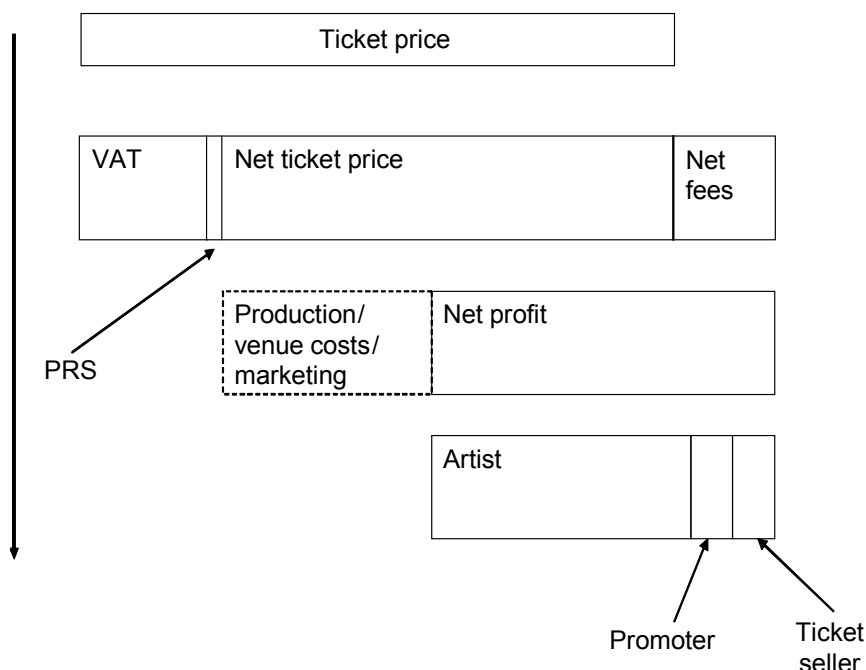
Source: CC analysis.

34. Artists, promoters and venues are increasingly using 'pre-sales' to offer tickets for an event to selected customers, prior to tickets going on general sale. Some pre-sales are restricted to individuals registered with an artist's fan club, while others are to customers of a corporate sponsor. Ticketmaster told us that pre-sales would typically start two days before tickets went on general sale but could sell up to [X] per cent of the total ticket allocation.
35. A promoter manages the allocation of tickets for an event on a dynamic basis, moving tickets from one ticket agent to another as necessary, in order to maximize sales. Live Nation told us that any contractual rights to an initial allocation did not, in practice, restrict the reallocation of tickets.

36. Figure 5 shows how the price of a ticket, including the booking fee, is distributed, on the basis of a sold out event.

FIGURE 5

**Distribution of income from the primary sale of a live music ticket**



Source: CC analysis.

37. Both the ticket price and the booking fee include VAT. In addition, most live music performances incur a tariff from PRS for Music (usually 3 per cent of ticket revenues, not including booking fees or commissions), which goes to the owner of the music (not necessarily the artist).
38. Owing to guaranteed fees (or appearance fees for festivals), artists, and their managers and agents, bear little financial risk from live music events.
39. The promoter's income is the balance of net ticket receipts less all venue costs and promotion costs, together with any rebate from ticket agents. Live Nation and other promoters told us that any profit above the amount submitted in the promoter's bid to the artist's agent would be shared with the artist, but any loss would not. As a result, promoters bear the majority of the financial risk associated with a live music event. Live Nation also told us that, increasingly, artists were looking to share in the ticket rebate received by promoters.
40. Venues receive both a fixed income in a rental fee and a variable income from food and beverage sales, merchandising sales and ticket sale rebates. Although venues bear some financial risk from live music events, the minimum rental fee mitigates their risk.

## Live Nation and Ticketmaster financial performance

### Live Nation

#### Worldwide

1. Table 1 shows the worldwide group consolidated performance for Live Nation for the five years ending 31 December 2008.

TABLE 1 Live Nation worldwide group consolidated performance

	\$'000				
	2008	2007	2006	2005	2004
Revenue	4,166,838	3,755,470	3,294,471	2,571,883	2,461,363
EBITDA	133,209	133,677	122,756	48,699	88,898
Depreciation	147,467	116,834	123,628	59,577	58,745
Goodwill impairment	269,902				
<b>EBIT</b>	<b>-284,160</b>	<b>16,843</b>	<b>-872</b>	<b>-10,878</b>	<b>30,153</b>
EBT	-342,346	-39,598	-24,836	-65,474	-13,104

Source: Live Nation statutory accounts.

2. Live Nation has been consistently loss-making for the last five years. The loss in 2008 was increased by a goodwill impairment charge due to the 'significant decline in [the business's] market capitalisation'.<sup>1</sup>
3. Table 2 shows the performance of the major segments of Live Nation worldwide for 2008 and 2007. The results of Live Nation's UK activities are included in International Music. 'Other' includes ticketing, theatre operations, discontinued activities and corporate overhead.

TABLE 2 Live Nation financial performance by major segment

	\$'000			
	2008			
	North American Music	International Music	Other	Total
Revenue	2,678,309	1,378,104	110,425	4,166,838
EBITDA	109,104	78,062	-53,957	133,209
Depreciation	99,573	30,418	17,476	147,467
Goodwill impairment	269,902			269,902
<b>EBIT</b>	<b>-260,371</b>	<b>47,644</b>	<b>-71,433</b>	<b>-284,160</b>
	2007			
	North American Music	International Music	Other	Total
Revenue	2,295,535	1,307,714	152,221	3,755,470
EBITDA	79,563	96,754	-42,640	133,677
Depreciation	77,756	19,855	19,223	116,834
<b>EBIT</b>	<b>1,807</b>	<b>76,899</b>	<b>-61,863</b>	<b>16,843</b>

Source: Live Nation statutory accounts.

<sup>1</sup>Live Nation, Inc group accounts, p50.

- International Music generated greater profits for Live Nation than its North American music business, despite being smaller in terms of revenue.

## UK

- In the year ended 31 December 2008, Live Nation generated revenue in the UK of £[x] million,<sup>2</sup> which represented approximately [x] per cent of Live Nation Inc's group revenue (see Table 1). In the same year, Live Nation achieved an EBIT of £[x] million in the UK (not including its minority interests).
- Table 3 shows Live Nation's UK revenue, split between its core activities: agency, promotions, venues and other.

TABLE 3 UK revenue by sector and ownership

	2008		2007	
	Revenue £'000	Percentage of total %	Revenue £'000	Percentage of total %
Agency	[x]	[x]	[x]	[x]
Promotion	[x]	[x]	[x]	[x]
Venues	[x]	[x]	[x]	[x]
Other	[x]	[x]	[x]	[x]
Discontinued	[x]	[x]	[x]	[x]
<b>UK revenue</b>	[x]		[x]	
Wholly-owned	[x]	[x]	[x]	[x]
Non-wholly-owned	[x]	[x]	[x]	[x]

Source: Live Nation.

- Table 3 shows that Live Nation's promotions and venues activities represent around [x] per cent of Live Nation's total UK revenues, with promotions accounting for around [x] per cent. These percentages have increased from 2007, following the acquisitions of AMG in March 2007 and DFC in April 2008. As a result of these acquisitions, around [x] per cent of Live Nation's UK revenue in 2008 was generated from its part-owned subsidiaries, compared with [x] per cent in 2007.
- Table 4 shows Live Nation's UK EBIT, split between its core activities: agency, promotions, venues and other.

<sup>2</sup>Live Nation's UK turnover includes UK trading entities which report through the UK. It includes all Live Nation's majority-owned subsidiaries, which are consolidated into its group accounts. It excludes UK trading entities such as De-Lux Merchandising which report directly to the USA.

TABLE 4 Live Nation's UK EBIT by sector and ownership

	2008		2007	
	EBIT £'000	Percentage of total %	EBIT £'000	Percentage of total %
Agency	[X]	[X]	[X]	[X]
Promotion	[X]	[X]	[X]	[X]
Venues	[X]	[X]	[X]	[X]
Other	[X]	[X]	[X]	[X]
Discontinued	[X]	[X]	[X]	[X]
<b>UK EBITDA</b>	[X]		[X]	
Wholly-owned	[X]	[X]	[X]	[X]
Non-wholly-owned	[X]	[X]	[X]	[X]

Source: Live Nation management accounts.

Note: Figures do not sum due to rounding.

9. Table 4 shows that Live Nation's promotions and venues activities represent around [X] per cent of Live Nation's total UK EBIT, with venues accounting for around [X] per cent. In 2008, around [X] per cent of Live Nation's UK EBIT was generated through its part-owned subsidiaries, compared with [X] per cent in 2007.
10. The results for Live Nation's promotions and venues operations in the UK are presented in more detail below.

### Promotions

11. Table 5 shows the revenue, gross profit and EBIT for Live Nation's UK promotions businesses.

TABLE 5 Live Nation's UK promotions revenue, gross profit and EBITDA

	2008			2007		
	Revenue	Gross profit	EBIT	Revenue	Gross profit	EBIT
Wholly-owned						
Live Nation (Music) UK	[X]	[X]	[X]	[X]	[X]	[X]
Live Nation-Gaiety						
Angel Festivals	[X]	[X]	[X]	[X]	[X]	[X]
DFC†	[X]	[X]	[X]	[X]	[X]	[X]
Festival Republic	[X]	[X]	[X]	[X]	[X]	[X]
		[X]	[X]		[X]	[X]
Total	[X]	[X]	[X]	[X]	[X]	[X]
		[X]	[X]		[X]	[X]

Source: Live Nation.

†Live Nation-Gaiety acquired 78 per cent of DFC in April 2008.

12. Live Nation Music includes revenue from the sale of tickets for live music events, ticket rebates (£[X] million) and sponsorship (£[X] million). In 2008, ticket rebates and sponsorship contributed £[X] million to Live Nation's UK EBIT. The largest expense in this business is the artists' guaranteed fee, which was £[X] million in 2008 (approximately 37 per cent of revenues).
13. [X]

14. Overall, Live Nation's UK promotions business generated an EBIT margin of between [x] per cent in 2007 and 2008, [x].

*Venues (live music and theatre)*

15. Table 6 shows the revenue, gross profit and EBIT for Live Nation's UK venues business.

TABLE 6 Live Nation's UK venues revenue, gross profit and EBIT

	2008			2007			£'000
	Revenue	Gross profit	EBIT	Revenue	Gross profit	EBIT	
<i>Wholly-owned/managed</i>							
Live Nation Music	[x]	[x]	[x]	[x]	[x]	[x]	
<i>Margins</i>		[x]	[x]		[x]	[x]	
Live Nation Theatre (excluding theatrical production)	[x]	[x]	[x]	[x]	[x]	[x]	
<i>Margins</i>		[x]	[x]		[x]	[x]	
<i>Margins</i>	[x]	[x]	[x]	[x]	[x]	[x]	
<i>Non-wholly-owned/managed</i>							
AMG*	[x]	[x]	[x]	[x]	[x]	[x]	
DFC	[x]	[x]	[x]	[x]	[x]	[x]	
Live Nation-Gaiety Holdings Limited (Wembley)	[x]	[x]	[x]	[x]	[x]	[x]	
<i>Margins</i>	[x]	[x]	[x]	[x]	[x]	[x]	
<i>Total Margins</i>	[x]	[x]	[x]	[x]	[x]	[x]	

Source: Live Nation management accounts.

\*Live Nation-Gaiety acquired 56 per cent of AMG in March 2007.

Note: Figures do not sum due to rounding.

16. Overall, Live Nation's UK venues business generated EBIT margins of [x] per cent in 2007 and 2008.

17. Table 7 sets out the revenue and EBIT in 2008 for each of Live Nation's wholly-owned/managed UK venues.

TABLE 7 Live Nation's wholly-owned/managed venues, 2008

	£'000		
	Revenue	EBIT	Margin
Music venues—central	[x]	[x]	[x]
Manchester Apollo	[x]	[x]	[x]
Cardiff International Arena	[x]	[x]	[x]
Sheffield Arena <sup>3</sup>	[x]	[x]	[x]
Southampton Guildhall	[x]	[x]	[x]

Source: Live Nation management accounts.

<sup>3</sup>Live Nation manages the Sheffield Arena for a management fee. The revenue shown in the table is the fee charged by Live Nation. The revenue achieved by the venue was much higher.

18. Live Nation's most profitable UK venue was the Manchester Apollo, which achieved an EBIT margin of [x] per cent in 2008.
19. Live Nation's venues generate revenue through:
- (a) rental fees [x];
  - (b) food and drink [x]; and
  - (c) management fees [x].

## Ticketmaster

20. In the year ended 31 December 2008, Ticketmaster generated revenue of approximately £[x] million in the UK, which represented approximately [x] per cent of Ticketmaster's worldwide revenue (\$1.5 billion). Ticketmaster achieved an EBIT in the UK of approximately £[x] million, which represented approximately [x] per cent of Ticketmaster's worldwide EBIT (\$234 million).
21. Table 8 presents a summary of Ticketmaster's performance in 2007 and 2008 by UK trading entity.

TABLE 8 Ticketmaster's UK performance by trading company, 2007 and 2008

	2008*					£'000
	<i>Ticketmaster UK</i>	<i>Ticketweb</i>	<i>Ticketmaster Systems</i>	<i>Ticket Shop</i>	<i>GetMeIn†</i>	<i>Total</i>
Revenue	[x]	[x]	[x]	[x]	[x]	[x]
Gross profit	[x]	[x]	[x]	[x]	[x]	[x]
Gross margin	[x]	[x]	[x]	[x]	[x]	[x]
EBIT	[x]	[x]	[x]	[x]	[x]	[x]
EBIT margin	[x]	[x]	[x]	[x]	[x]	[x]
	2007‡					
	<i>Ticketmaster UK</i>	<i>Ticketweb</i>	<i>Ticketmaster Systems</i>	<i>Ticket Shop</i>		<i>Total</i>
Revenue	[x]	[x]	[x]	[x]		[x]
Gross profit	[x]	[x]	[x]	[x]		[x]
Gross margin	[x]	[x]	[x]	[x]		[x]
EBIT	[x]	[x]	[x]	[x]		[x]
EBIT margin	[x]	[x]	[x]	[x]		[x]

Source: Ticketmaster statutory and management accounts.

\*Management accounts.

†GetMeIn was acquired by Ticketmaster on 28 January 2008.

‡Statutory accounts.

22. Ticketmaster UK represented approximately [x] to [x] per cent of Ticketmaster's UK turnover, and around [x] per cent of its EBIT.<sup>4</sup>

## Ticketmaster UK and Ticketweb

23. Ticketmaster UK and Ticketweb generate income from three sources:

<sup>4</sup>This percentage is based on Ticketmaster's profitable businesses and does not include the EBIT loss from GetMeIn.



- (a) a per ticket booking fee (otherwise known as a convenience fee or service charge), which is typically [x] to [x] per cent of the face value of a ticket;
- (b) a per order transaction charge (otherwise known as a processing, handling or distribution charge); and
- (c) occasionally, an inside fee, paid by the client rather than the ticket buyer, which may be in addition to or instead of a booking fee and transaction charge.

In 2008, booking fees represented around [x] per cent of the total revenues of Ticketmaster UK and Ticketweb, while transaction charges represented around [x] per cent.

24. Ticketmaster's principal direct costs in the UK are:
- (a) rebates to clients, [x];
  - (b) call centre costs (in 2008, these costs represented [x] per cent of Ticketmaster's UK operating costs (£[x] million));
  - (c) credit card processing (CCP) charges (in 2008, CCP charges represented [x] per cent of Ticketmaster's UK operating costs (£[x] million));
  - (d) postage charges for sending customers their tickets; and
  - (e) licence fees, payable to Ticketmaster in the USA for the use of the Ticketmaster system (ie an internal recharge).
25. Ticketmaster told us that Ticketmaster UK and Ticketweb both offered systems which could be used to provide a managed ticketing service to live music venues. However, in general, Ticketweb's solution tends to be used by smaller venues.

### ***Ticketmaster Systems***

26. Ticketmaster Systems provides hardware and software to venues to enable them to self supply tickets. Venues pay Ticketmaster Systems a licence fee and other fees (eg for maintenance) for the provision of these services.

### ***GetMeln***

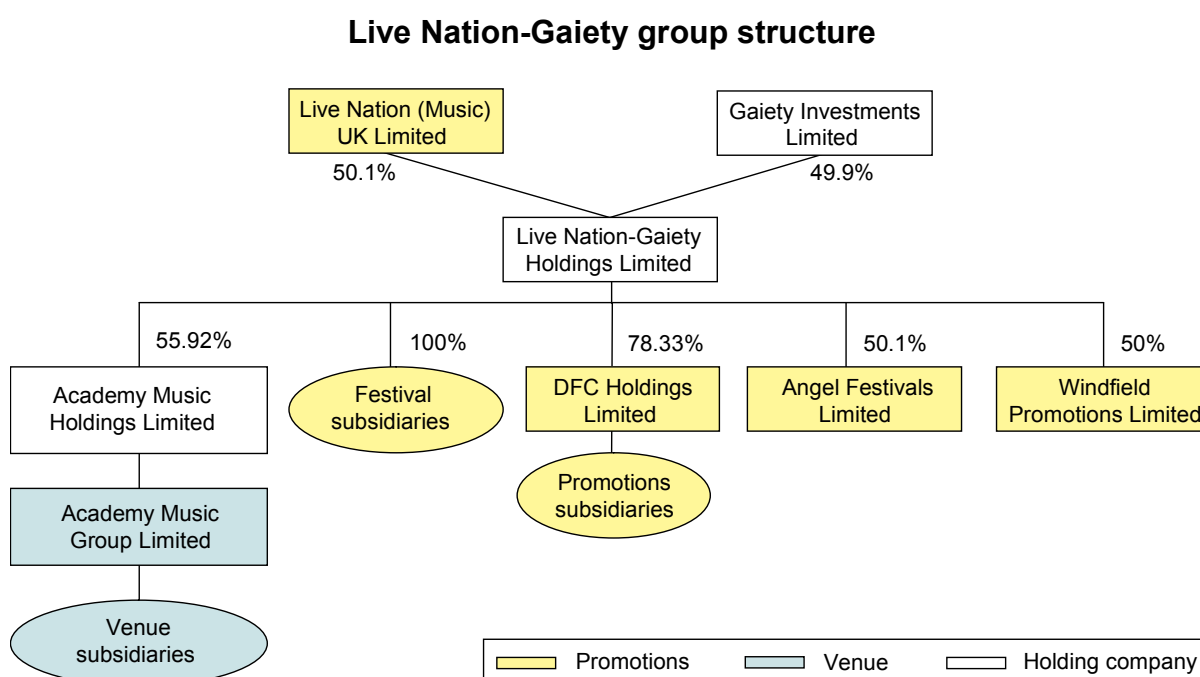
27. GetMeln operates principally in the secondary ticketing market, by offering an Internet marketplace where individual buyers and sellers of tickets can transact. GetMeln charges a fee both to the buyer (typically 15 per cent of the sales price) and the seller (typically 10 per cent of the sales price), though the fees only become payable when a ticket is purchased. GetMeln's principal direct costs are online marketing costs and CCP charges.

## Live Nation's influence over Live Nation-Gaiety and its subsidiaries

### Live Nation-Gaiety Group

1. Live Nation owns 50.1 per cent of Live Nation-Gaiety.<sup>1</sup> Gaiety Investments Limited (Gaiety) owns 49.9 per cent of Live Nation-Gaiety. Gaiety is a private company owned by Denis Desmond and Caroline Downey.
2. Live Nation-Gaiety owns or part-owns several subsidiaries, including AMG (acquired in 2007),<sup>2</sup> Festival Republic, DFC, Angel Festivals Limited (Angel Festivals), and Windfield Promotions Limited (Windfield). Figure 1 shows the Live Nation-Gaiety group structure.

FIGURE 1



Source: CC from Live Nation submissions and public data sources.

Note: Windfield is a joint venture between Live Nation-Gaiety (50 per cent) and the Beer Workers TUC Trust to produce the Rise festival, for which Windfield receives a fee of £15,000. This event did not occur in 2009.

### Live Nation's influence in Live Nation-Gaiety

3. The Live Nation-Gaiety board is comprised of four voting members: two representatives from Live Nation and two from Gaiety. A further Live Nation representative is on the board in a non-voting capacity. The shareholders' agreement, which sets out the basis on which Live Nation and Gaiety manage the Live Nation-Gaiety business, states that:

<sup>1</sup>Live Nation-Gaiety was formerly known as Hamsard 2786 Limited.

<sup>2</sup>See the [CC report](#) entitled *Hamsard and Academy Music: A report on the proposed acquisition of a controlling interest in Academy Music Holdings Limited by Hamsard 2786 Limited*, January 2007.

- (a) each shareholder has the right to appoint two directors to the board, and remove its two directors from the board, but not the right to appoint or remove the other shareholder's two directors;
  - (b) management decisions are to be made by majority vote and equal numbers of Live Nation and Gaiety shareholders are expected to vote on any resolution;
  - (c) the chairman does not have a casting vote;
  - (d) Gaiety has a call option to purchase 0.1 per cent of Live Nation-Gaiety from Live Nation;
  - (e) if there is a breach of the agreement (eg caused by a change of control), the other party has the right to purchase the breaching party's shares in the business; and
  - (f) material contracts or acts (such as the acquisition of property or establishing a contract with a ticket agent) can only be carried out with the consent of 75 per cent of shareholders (ie by mutual consent).
4. Live Nation told us that any new ticketing arrangement for a Live Nation-Gaiety business would be put out to an objective and transparent tender. All tenders would be judged by the whole board on their respective merits and either shareholder would be able to veto any tender. Gaiety stated that, although Live Nation had a majority interest in the business, all significant decisions were made with the full agreement of both shareholders.
  5. We concluded that, although Live Nation did not have positive control over the policy of Live Nation-Gaiety, the nature of its interest meant that it could exercise negative control because it had the ability to block policy. Therefore, we concluded that Live Nation's interest in Live Nation-Gaiety was sufficient for it to exercise material influence over Live Nation-Gaiety.<sup>3</sup>

### **Academy Music Group**

6. Academy Music Holdings Limited (AMH), which owns AMG, is majority owned (55.92 per cent) by Live Nation-Gaiety, and partly owned by Bob Angus (24 per cent),<sup>4</sup> the owner of Metropolis,<sup>5</sup> and Simon Moran (20.08 per cent), the owner of SJM. The board of AMH has seven directors: three from Live Nation-Gaiety (two from Live Nation and one from Gaiety), the two minority shareholders (Bob Angus and Simon Moran), and two executive directors who do not have voting rights.
7. The shareholders' agreement for AMH states that any significant matters require the agreement of shareholders with 76 per cent or more of the shares.
8. Bob Angus told us that it was more cost-effective for AMG to contract the operation of AMG's box offices to an agent rather than for AMG to self-ticket. The executive directors were tasked with negotiating with potential agents but, in practice, the decision required the agreement of the whole board. AMG had contracted with Ticketweb prior to Ticketweb becoming part of Ticketmaster, and had renewed its contract with Ticketweb on a couple of occasions. Bob Angus noted that, on renewal,

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<sup>3</sup>Within the meaning of [section 26](#) of the Act.

<sup>4</sup>Bob Angus's 24 per cent shareholding in AMH is held 12 per cent by Bob Angus and 12 per cent by Customblock Limited, a company wholly owned by him.

<sup>5</sup>Bob Angus owns 70 per cent of Metropolis.

the AMG board had looked for the best terms on offer but also had to be convinced of the agent's ability to perform the tasks required. He said that, when the contract with Ticketweb was last up for renewal, the AMG board considered See Tickets, but there was very little difference between its offer and the offer from Ticketweb and, given that AMG already had the Ticketweb equipment installed (scanners, technology etc), there was not a sufficient reason to switch.

9. We concluded that it was likely that Live Nation's interest in AMG was sufficient to constitute material influence.<sup>6</sup> However, we noted that any significant matters would require the agreement of Gaiety and at least one of the minority shareholders.

### ***DF Concerts***

10. DF Holdings Limited (DFH) is the holding company for a number of live music businesses operating in Scotland, including DFC, the promoter of the T in the Park festival.<sup>7</sup>
11. DFH is majority owned by Live Nation-Gaiety (78.33 per cent), with the remaining shares held by Simon Moran (19.17 per cent) and Geoff Ellis (2.5 per cent). There are two directors, Denis Desmond (Gaiety) and Geoff Ellis. Simon Moran is not listed as a director despite his significant shareholding and there is no representative from Live Nation. There is no shareholders' agreement.
12. Given the constitution of the board of DFH, we believed that Live Nation-Gaiety was probably able to exercise control over the business and its subsidiaries, including DFC, but the influence of Live Nation was less clear.<sup>8</sup>

### ***Angel Festivals***

13. Angel Festivals is a joint venture between Live Nation-Gaiety (50.1 per cent) and Angel Music Group Limited (49.9 per cent) (AMGL), which is a subsidiary of the Mama Group Plc (the Mama Group) (70 per cent).<sup>9</sup> (The Mama Group is the owner of the Mean Fiddler live music venues, having acquired them from Live Nation-Gaiety in 2007.)
14. The board of Angel Festivals has four directors: two Live Nation-Gaiety directors (one from each of Live Nation and Gaiety) and two AMGL directors.
15. Given the constitution of the board of Angel Festivals, we concluded that all significant decisions would require the agreement of both shareholders, Live Nation-Gaiety and the Mama Group.<sup>10</sup>

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<sup>6</sup>See the footnote to paragraph 5.

<sup>7</sup>The other trading subsidiaries are Big Day Out Limited, Bar None Management Limited, and King Tut's Recordings Limited.

<sup>8</sup>We did not exclude the possibility that Live Nation could have material influence (see the footnote to paragraph 5).

<sup>9</sup>The remaining 30 per cent of AMGL is held by two former directors of Angel Festivals.

<sup>10</sup>We did not exclude the possibility that Live Nation could have material influence (see the footnote to paragraph 5).

## Retailing of tickets

### Introduction

1. This appendix considers the market(s) relevant to selling tickets to live music concert-goers and theatre-goers (hereafter referred to as ‘consumers’), prior to the proposed merger.
2. Tickets may be sold to consumers through a ticket agent, or sold directly to consumers by the promoter of an event or the venue where the event is to be held. We describe the company selling tickets to consumers as the retailer, and the process of selling tickets as retailing.<sup>1</sup>
3. We refer to the process of making the initial sale of tickets to consumers as primary retailing,<sup>2</sup> and the process of reselling tickets, eg through auction websites (eg eBay) or specialist ticket marketplaces (eg Viagogo, Seatwave or GetMeIn)<sup>3</sup> as secondary retailing.
4. Live Nation is a promoter of live music events and an operator of live music and theatre venues. Live Nation sells tickets to consumers through Ticketmaster and other ticket agents.
5. Ticketmaster also sells tickets to other events, including live music and theatrical events promoted by other promoters or hosted by other venue operators, as well as sporting events, comedy, exhibitions and family attractions (eg theme parks).
6. In this appendix, we describe first how tickets are sold to consumers, before discussing the relevant market definition and competition within the relevant market(s), including whether there are any barriers to entry and expansion.

### Ticket allocations

#### *Live music*

7. Tickets for a live music event are sold via two main routes:
  - (a) the venue, either through its box office or through a ticket agent; and
  - (b) the promoter, usually through multiple ticket agents (allocating tickets according to the agents’ commercial terms and their prospects of selling tickets).
8. Some tickets are also retained by the artist and the promoter for sale through fan clubs, advertisers, corporate sponsors, etc. Occasionally, a promoter may also sell some premium tickets (eg for the front rows) and may use a ticket agent active in the secondary market to do so, due to the agent’s access to customers willing to pay a

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<sup>1</sup>Legally, a ticket agent acts as an agent for the promoter or venue in respect of the ticket’s face value (although as a principal in respect of booking and transaction fees).

<sup>2</sup>In some cases (see paragraph 15(d)), smaller ticket agents purchase tickets from promoters in order to sell them to consumers (so the sale to the consumer is the second sale). We include sales by these ticket agents to consumers in the primary market(s).

<sup>3</sup>GetMeIn is owned by Ticketmaster.

higher price and in order to distinguish premium tickets from standard tickets. The proportion of live music tickets which are premium tickets is very low.

9. Venues usually issue promoters with a rate card, which specifies (among other things) the proportion of tickets to be retained for sale by the venue (see Appendix F).<sup>4</sup> Live Nation told us that, at its two wholly-owned venues,<sup>5</sup> it retained 75 per cent of the tickets, while AMG retained 50 per cent of the tickets at its venues. We found that around 60 per cent of the tickets for all events promoted by Live Nation were sold by the venue; however, we recognized that given Live Nation uses many large venues, the proportion of live music tickets sold by venues overall might be lower. The NEC told us that, for popular concerts which were expected to sell out on the day of release or shortly thereafter, it was often required to release to the promoter a larger allocation of tickets than would normally be the case.
10. The promoter, in consultation with the artist and agent, sets the face-value ticket price. The ticket agent, in consultation with the promoter, sets the booking fee.
11. Live Nation told us that, as the majority of tickets were now sold on the Internet, most tickets for live music events were sold soon after the official announcement of the tour or festival. Live Nation said that an increasing proportion of tickets were now sold as 'pre-sales' before general release. Ticketmaster told us that, in its experience, up to [ ] per cent of the tickets for an event could be sold during the pre-sale period. We noted that some events, for example the Glastonbury festival, appeared to be priced deliberately below the market-clearing level (with measures to deter reselling on the secondary market) and usually sold out very rapidly.
12. Live Nation told us that promoters monitored actively the sale of tickets by ticket agents so that, if some ticket agents were selling quickly while others were struggling to sell their allocation, tickets could be reallocated. Live Nation told us that, even though a venue might stipulate its initial allocation, it was not in a venue's interests for an event not to sell out so venues would also be willing to relinquish tickets to a promoter if it increased the chance of sales. Nevertheless, Metropolis told us that some venues and/or their ticket agents were reluctant to return tickets to promoters even when they were struggling to sell out.
13. Live Nation told us that, often, promoters reserved additional dates at venues so that, if a tour was selling well, further concerts could be offered for sale. If tickets were not selling well through any channel, a promoter could close off part of the venue, move the event to a smaller venue or cancel the event altogether. Live Nation told us that, even if there remained some tickets for sale on the night of the event, it was very rare for live music tickets to be discounted below face value due to the potential damage it might cause to the artist's reputation.

## **Theatre**

14. Theatre tickets are also sold by venues and by producers. However, theatrical productions usually last for a season (or many seasons) and tickets for these events are often sold at a discounted price, particularly for less popular nights of the week.

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<sup>4</sup>Metropolis told us that negotiations between a promoter and venue operator can result in some variation from the standard terms on the rate card.

<sup>5</sup>The Manchester Apollo and the Cardiff International Arena.

## Methods by which tickets are sold to consumers

15. There are a variety of methods by which promoters and venues sell tickets to consumers, including:
  - (a) Through multi-year exclusive or preferred contractual relationships with ticket agents. Such contracts commit the promoter/venue to sell a proportion of tickets through the ticket agent. A promoter with this form of relationship will ensure that the preferred ticket agent appears prominently in any advertising for an event and receives a large allocation of tickets. In most cases, the website of the promoter/venue will direct consumers to the ticket agent, which may sell the tickets on a white-labelled basis (ie retaining the branding of the promoter/venue) or on a co-branded basis. Under such contracts, a standard booking fee and transaction charge, or a sliding scale depending on the ticket price, is specified, though there can be exceptions, for example if requested by the artist. The determination of the rebate to the promoter/venue is also specified, for example as a formula or a percentage of the booking and transaction fees. At the start of a contract, a ticket agent may also make an upfront payment to the promoter/venue. For venues, the relationship is usually exclusive and the ticket agent provides the required ticketing software to run the venue box office. For promoters, the relationship is usually not strictly exclusive, as promoters often use more than one ticket agent to maximize the probability of an event selling out. Live Nation told us that, increasingly, artists and their agents were requiring promoters to share their ticket rebates with artists, which now occurred in about 20 per cent of cases. Live Nation's ticketing contracts with both Ticketmaster and Eventim were for terms of ten years (see Section 6 of the main report), but we found that most other multi-year contracts in the industry were typically shorter, usually two to five years.
  - (b) Through annual contracts or informal arrangements, which allow promoters (or venues) to agree with a ticket agent an allocation of tickets, the booking fee and the rebate for the year ahead, for a shorter period of time or for a specific event.
  - (c) By direct sale to consumers (self-ticketing), usually facilitated by a specialist ticketing company providing ticketing software and, in some cases, other services (for example, IT hardware, fulfilment and call centre services). We found that it is more common for venues than promoters to self-ticket.
  - (d) Through wholesale relationships, whereby the promoter/venue (or their agent) sells tickets to a smaller ticket agent, which retails these tickets to consumers, still at the face value plus fees but acting as a reseller rather than as an agent.
16. In regard to live music, we estimated that multi-year contractual relationships accounted for just under 50 per cent of the primary retail market; annual contracts or informal arrangements for just under 40 per cent; and self-ticketing for about 10 to 15 per cent (with the sale of tickets to smaller agents being of negligible significance).

## Channels through which tickets are sold

17. Tickets are sold to consumers through three main channels:
  - (a) the Internet;
  - (b) by telephone; and

(c) in person, at the venue box office.<sup>6</sup>

18. The consumer survey found that 77 per cent of live music tickets were sold over the Internet and 16 per cent by telephone, with 5 per cent of tickets purchased in person at the venue's box office.<sup>7</sup>

### **Consumer behaviour when buying tickets**

19. The consumer survey found that, among people who bought tickets for live music events, the average number of events attended in a year was just over four.<sup>8</sup> The average number of tickets purchased in each transaction was 2.8.<sup>9</sup> Nearly all respondents (96 per cent) indicated that the last time they purchased tickets they were seeking to attend a particular live music event, rather than browsing with the intention of attending any event.<sup>10</sup>

### **Shopping around**

20. The consumer survey found that, among people who bought tickets for live music events, 90 per cent bought their tickets from the first place they tried. The majority (64 per cent) indicated that they did not consider buying tickets from anywhere else. The majority (54 per cent) also said that they bought tickets mostly via a ticket agent, though nearly 90 per cent said they had used a ticket agent to purchase live music tickets at some point in the past. Among these respondents who had used a ticket agent at some point, familiarity with the ticket agent (and therefore convenience) and the reputation of the agent (including its trustworthiness and security) were key reasons for preferring their chosen ticket agent. The price of the ticket agent was not a significant reason.<sup>11</sup>
21. Respondents who did not purchase tickets from the first place they tried or from their preferred supplier explained that their desired tickets were either sold out (or appeared to be sold out) or were not sold by their preferred supplier.
22. If the tickets which the respondent desired had been unavailable from their preferred supplier, most respondents (69 per cent) said that they would have sought to buy the same tickets from elsewhere. However, 28 per cent of respondents would not have done so, including 23 per cent who would not have bought tickets at all and 3 per cent who would have bought tickets for another live music event from their preferred supplier.<sup>12</sup> (The figure for respondents who bought from ticket agents, as opposed to the venue, event organizer or artist, was somewhat higher at 80 per cent for Ticketmaster and 85 per cent for other ticket agents). Live Nation told us that some respondents might assume that, if tickets were not available from one source, they would not be available from any source.
23. The consumer survey also found that, among consumers who had bought tickets through an agent, including through a venue's website, and who could recall the level of fee they had paid (70 per cent of those interviewed), 84 per cent would still have bought the ticket from the same place if the fee had increased by 10 per cent, while

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<sup>6</sup>A small volume of tickets are also sold through other physical outlets, eg record shops. Ticketmaster continues to sell some tickets through physical outlets. London theatre tickets are sold from many physical outlets.

<sup>7</sup>GfK NOP survey report, paragraph 7.

<sup>8</sup>GfK NOP survey report, paragraph 3.

<sup>9</sup>GfK NOP survey report, paragraph 42.

<sup>10</sup>GfK NOP survey report, paragraph 29.

<sup>11</sup>GfK NOP survey report, paragraphs 3–6.

<sup>12</sup>GfK NOP survey report, paragraph 47 (3 per cent answered 'don't know').



90 per cent would have continued with the purchase if the fee had increased by 5 per cent.<sup>13</sup> Live Nation told us that consumers were more sensitive to the ticket face value than to the booking fee and the transaction charge.

24. We concluded from this evidence that most live music consumers did not shop around and, among those consumers buying from ticket agents, the price of the booking fee or transaction charge did not make a significant difference to the consumer's choice of ticket agent.<sup>14</sup>
25. We found similar results in other surveys:
- (a) As part of its study into ticket agents in January 2005, the OFT commissioned a survey of consumers buying tickets (including tickets for live music events, theatre and sporting events). The OFT found that consumers did not shop around, with only 6 per cent of respondents stating that they had tried to buy their tickets from elsewhere. Furthermore, price was not a major determinant of where to buy (cited by only 9 per cent of respondents), compared with convenience (cited by 41 per cent), advertising (17 per cent), and there being no choice or only one place left with tickets (15 per cent).
- (b) More recently, in February 2008, Ticketmaster commissioned fhios to carry out some market research. [REDACTED]

TABLE 1 February 2008 consumer research for Ticketmaster: reasons for choice of ticket purchase channel

	<i>per cent</i>		
	<i>Internet</i>	<i>Telephone</i>	<i>Box office*</i>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]†	[REDACTED]	[REDACTED]	[REDACTED]
Total responses	[REDACTED]	[REDACTED]	[REDACTED]

Source: fhios survey for Ticketmaster.

\*Tickets purchased in person from box office.

†[REDACTED]

Note: Figures do not sum to 100 per cent due to rounding.

### **Information about live music events and methods of buying**

26. The consumer survey found that most live music consumers learnt about their chosen event from family and friends, articles in newspapers and magazines, adverts in newspapers and magazines, general information on the Internet (ie not live music websites), emails from ticket companies, and adverts on the Internet, as shown in Table 2. However, emails from ticket companies and Internet adverts emerged as less important when respondents were asked specifically about the last event for which they had bought tickets, while searching artists' websites and radio and television advertisements emerged as more important.

<sup>13</sup>GfK NOP survey report, paragraph 9.

<sup>14</sup>GfK NOP survey report, paragraph 6.

TABLE 2 How respondents found out about live music events (percentage mentioning each method)

	<i>per cent</i>	
	<i>Usual method</i>	<i>Event most recently bought tickets for</i>
<i>Ticket-agent-specific sources</i>		
Email from ticket company	18.4	6.6
Searching ticket agents site	3.1	2.1
<i>Other specific sources</i>		
Email from event organizer	6.6	4.8
Email from venue	5.9	2.4
Searching artist's site	9.4	10.6
Searching venue's site	3.5	1.7
Specialist music site	1.8	1.5
<i>Non-specific sources</i>		
Email (not specific)	1.4	1.2
Internet advertisement	15.3	7.5
Internet (general)	23.0	10.9
Someone knew (family/friends etc)	38.2	31.9
Advertisement (not specific)	1.7	1.3
Billboard/poster	4.1	3.2
Direct mail	4.5	2.4
Media (general)	1.9	2.7
Music press	2.1	2.1
Newspaper/magazine advertisement	20.5	10.9
Newspaper/magazine (read in)	28.3	17.1
Radio (general)	3.5	4.2
Radio advertisement	12.4	10.7
Television advertisement	10.2	9.3
Television programme	4.1	4.6
Other	5.3	7.3
Don't know	0.5	2.7

Source: Gfk NOP survey report, Figures 2 and 9.

Note: Percentages sum to more than 100 per cent as more than one method was quoted by some respondents.

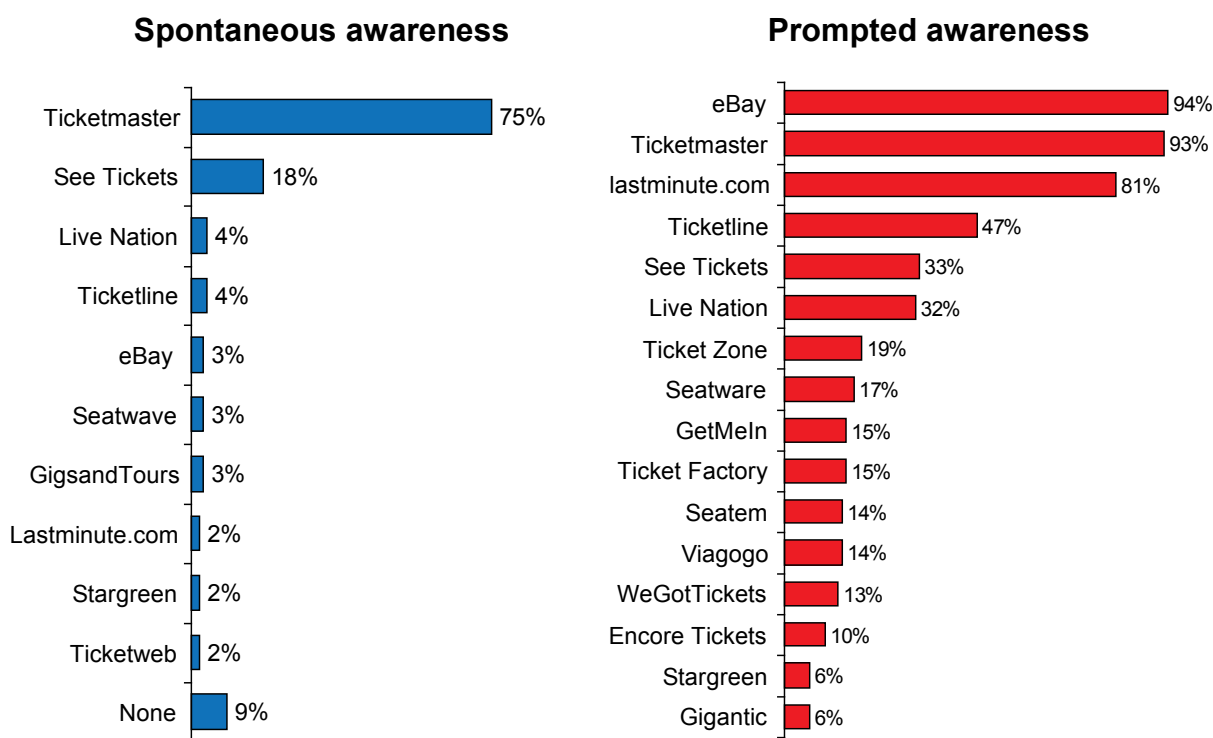
27. We noted that Internet searches and emails from ticket agents, promoters or venues were less important than non-specific sources of information.
28. The consumer survey also found that, when consumers bought tickets over the Internet, around 70 per cent bought from a ticket agent and 30 per cent bought from the website of the promoter, artist or venue. Based on our further analysis of respondents who bought over the Internet (see Annex 1, Table 1), about 40 per cent of Internet purchasers went directly to a ticket agent's website. However, few of these respondents learnt about the event from the ticket agent.
29. Ticketmaster told us that around [X] per cent of traffic on to its main website came to it directly or from one of Ticketmaster's minor sites, while around [X] per cent originated from a search engine, and most of the remainder came from websites of venues or promoters. Ticketmaster's full list of where the traffic to its website came from is at Annex 2.
30. The consumer survey also found that, when consumers bought tickets by telephone, about 42 per cent phoned a ticket agent. Of these consumers, around 29 per cent learnt of the event from the ticket agent (see Annex 1, Table 2).
31. We concluded that ticket agents played a limited role in creating awareness of specific live music events. Nevertheless, when buying tickets through a ticket agent, the majority went directly to the ticket agent's website.

## Awareness of ticket companies

32. The consumer survey found that, among the purchasers of live music tickets, Ticketmaster was by far the most recognized ticket agent. In the survey, 75 per cent of consumers mentioned Ticketmaster spontaneously as a company which sold live music tickets, with See Tickets the next highest at 18 per cent. When consumers were prompted, 93 per cent recognized Ticketmaster. Figure 1 presents consumers' awareness of the suppliers of live music tickets, showing both spontaneous and prompted responses.<sup>15</sup>

FIGURE 1

### Awareness of ticket companies



Source: GfK NOP survey report.

Notes:

1. Base: all respondents (777).
2. Only mentions over 1 per cent shown for spontaneous and over 5 per cent for prompted.
3. Gigsandtours and Ticketweb were not on the prompt list.

33. The consumer survey also found that Ticketmaster was the ticket agent used most often. Of those who had ever used a ticket agent, 61 per cent had bought from Ticketmaster in the last six months<sup>16</sup> and 54 per cent said that Ticketmaster was their preferred supplier, compared with 10 per cent who said See Tickets, 2 per cent who said Ticketline and a further 2 per cent who said eBay. The most commonly quoted reasons for preferring Ticketmaster were that the consumer had used it before, it was convenient, it was trustworthy and reputable/secure, it was the only ticket agent known to the consumer, and it had tickets available.<sup>17</sup>

<sup>15</sup>GfK NOP survey report, paragraph 23.

<sup>16</sup>GfK NOP survey report, paragraph 4.

<sup>17</sup>GfK NOP survey report, paragraphs 25–27.

34. The fhiios research for Ticketmaster (see paragraph 25(b)) also found that, among consumers purchasing live music tickets on the Internet, [X] per cent said that Ticketmaster was their preferred site, compared with [X] per cent who preferred the venue website, [X] per cent who used [X] and [X] per cent who preferred [X], though [X] per cent of respondents said they had no preference.

### **Booking fees and transaction charges**

35. Consumers making a primary purchase of tickets on the Internet or by telephone usually pay a per-ticket booking fee and a per-booking transaction charge. Consumers purchasing tickets at the box office do not usually pay these fees, though there may still be a credit card processing charge.
36. Table 3 illustrates the variety in these fees. Booking fees vary according to event, face value and ticket retailer. Transaction charges vary according to ticket retailer, and for some ticket retailers according to event and face value; transaction charges are higher when special delivery is required (when a ticket agent is unable to issue a bar-coded ticket, special delivery is usually required for tickets without seat numbers (eg for standing areas) as duplicate tickets cannot be issued).

TABLE 3 Comparison of ticket prices for Stereophonics' March 2010 tour

	£	
	<i>Booking fee (per ticket)</i>	<i>Delivery fee* (per transaction)</i>
<i>SECC Glasgow £30 seat</i>		
See Tickets	3.00	2.25
TicketSoup†	3.00	1.75
<i>Newcastle Metro Radio Arena £30 seat</i>		
Ticketmaster	4.95	2.00
See Tickets	3.00	2.00
Ticketline	3.00	1.95
<i>Manchester Evening News Arena £30 seat</i>		
Ticketmaster	5.65	2.00
See Tickets	3.00	2.00
Ticketline	3.00	1.95
Gigantic	3.75	1.75
<i>Sheffield Arena £30 seat</i>		
Ticketmaster	3.00	2.25
See Tickets	3.00	2.00
Ticketline	3.00	1.95
Gigantic	4.50	1.75
Venue	3.00	Not available
<i>Trent FM Arena Nottingham £30 seat</i>		
Ticketmaster	4.75	3.25
See Tickets	3.00	1.50
Ticketline	4.50	1.95
<i>NIA Birmingham £30 seat</i>		
Ticketmaster	5.65	2.00
Ticketline	4.50	1.95
Ticket Factory†	3.25	1.70
<i>O2 Arena London £32.50 seat</i>		
Ticketmaster	5.25	2.50
See Tickets	3.25	2.00
Stargreen	3.50	0.95
Lastminute	5.00	2.25

Source: Ticket agents' websites (comparison made by CC on 13 and 14 October 2009). Prices are only given for ticket agents showing the event on their website with tickets available. Booking fees were higher for higher-priced seats (available at O2 Arena) and in some cases minimum transaction charges were higher for standing tickets due to the need for special delivery.

\*Delivery fee for standard post or print-at-home.

†Ticket agent owned by the venue.

37. As Table 3 illustrates, promoters do not usually require ticket agents to charge the same booking fee even for the same event. However, promoters/venues do agree the maximum booking fees that their ticket agents can charge (sometimes capped by the artist).<sup>18</sup> A possible explanation for this control of the maximum level of fees is that, in any particular transaction, consumers are insensitive to the level of booking and transaction fees (see paragraph 23) but, over the longer term, they are more sensitive to the total cost of attending events, leading promoters and artists to wish to keep the total cost of attending their events as low as possible to avoid damage to their reputation with consumers.
38. For some time, promoters have used rebates from ticket sales as a way of generating income from an event which is not shared with the artist, which helps to mitigate their risk. Partly as a result of this behaviour, both booking fees and rebates have increased. Promoters told us that some artists were now seeking to share in the

<sup>18</sup>Live Nation estimated that artists capped booking fees in about 5 per cent of cases.

rebates from ticket sales,<sup>19</sup> so the incentive for promoters to push booking fees and rebates higher might reduce.

## **Market definition**

39. We regard market definition as a useful tool for our analysis of competition, not as an end in itself.<sup>20</sup> Defining a market is intended to provide a helpful framework for assessing the relevance of different constraints and distinguishing clearly between them. Our guidelines state that there is inevitably an element of judgement involved and we will adopt the most appropriate methodology in the context of each case but, wherever useful and practicable, we will adopt the hypothetical monopolist test, which is the generally accepted conceptual approach to defining markets.<sup>21</sup>

## **Geographic market definition**

40. We noted that some ticket retailers operated on a local basis, in particular venue box offices and agents selling through physical outlets. However, given that most live music tickets were now bought on the Internet (see paragraph 18), these retailers competed with national retailers, for example Ticketmaster and See Tickets. We noted that most of the large ticket agents sold tickets for events across the UK. We concluded that the relevant geographic market was at least as wide as the UK.
41. We noted that some international promoters and venue operators (eg Live Nation and AEG) engaged with ticket agents on a global basis. However, we also noted that, even in these cases, the terms of the agreements differed between countries. Ticketmaster told us that the existence of a global deal agreed in the USA did not prevent tough negotiations over UK contracts. Furthermore, we noted that there were significant differences in how each market operated (eg in many countries venues retained 100 per cent of the ticket allocation, which did not occur in the UK). We also noted that most promoters and venues in the UK were not part of international companies and worked with ticket agents in the UK. Therefore, we concluded that the relevant geographic market was not wider than the UK.

## **Product market definition**

42. We observed that there were three main activities associated with the ticketing of live music events:
- (a) the provision of technology, including ticketing software and hardware (sometimes developed in-house, sometimes licensed from a software provider and sometimes provided as a managed service);
  - (b) selling to consumers (usually through a website, but also through call centres and in-person either through a box office or ticket shop); and
  - (c) the fulfilment of ticketing purchases (ie printing and distributing tickets).

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<sup>19</sup>Live Nation told us that, since about 2004, promoters had started to share rebates with artists, and it now occurred in about 20 per cent of its promotions contracts.

<sup>20</sup>See *Merger References: Competition Commission Guidelines, CC2*, June 2003: [www.competition-commission.org.uk/rep\\_pub/rules\\_and\\_guide/pdf/cc2.pdf](http://www.competition-commission.org.uk/rep_pub/rules_and_guide/pdf/cc2.pdf).

<sup>21</sup>This test involves starting with a narrow market and widening it until a hypothetical monopolist could profitably impose a small but sustainable non-transitory increase in price (SSNIP).

We considered how to define the market or markets in which these activities took place.

43. Where tickets were sold through an agent, the agent was usually responsible for all three functions. Where promoters or venue operators sold their tickets directly to consumers, ie as a self-ticketer, they usually purchased ticketing software from a specialist company and, in some cases, also contracted out operational activities such as fulfilment (see paragraph 42(c)).
44. We did not see evidence of a lack of competition in the provision of technology (including specialist ticketing software) or in fulfilment and other operational activities. We found that, while specialist software is needed for venue ticketing systems, such software is available from a number of companies in addition to the main ticket agents, including Seatem (which supplies the Enta ticketing system), Audienceview, tickets.com and Tessitura. Therefore, we did not consider further the market for the provision of software, or other input markets relevant to ticket retailing.
45. Eventim said that we should distinguish between the roles of a ticket service provider and a ticket agent. According to Eventim, a ticket service provider provides the IT and logistics system infrastructure that allows tickets to be distributed to consumers. Eventim told us that this service is more than the provision of ticketing software, hardware and other operational activities, as the ticketing services provider continues to manage the ticketing system on an ongoing basis. Eventim told us that, under its agreement with Live Nation, Eventim would be operating as a ticketing service provider, managing a ticketing system for Live Nation. Eventim said that both Live Nation and Eventim, and possibly other ticket agents, would then act as ticket retailers, selling Live Nation's tickets off this system.
46. We accepted Eventim's description of the market and the distinctions between the various roles which it highlighted. However, we found that the distinction between a ticket service provider and a provider of ticketing software and hardware, both of which enabled a promoter or venue operator to self-ticket, was small. We also found that, where a ticket agent acted for a promoter or venue operator, allowing them to outsource the whole of their ticketing function, the agent provided a managed ticketing service. Therefore, we did not see a need to consider a third market (ticket service provision) in addition to the provision of specialist ticketing software and hardware (see paragraph 44) and ticket retailing.
47. With regard to ticket retailing, we identified four questions to help us define the relevant product market more precisely:
  - (a) Is the primary ticket market separate to the secondary ticket market?
  - (b) Is the self-supply of tickets (ie by venues and, occasionally, by promoters) in the same market as the primary retailing of tickets by ticket agents?
  - (c) Is there a separate market for the retailing of tickets for live music events (that is, separate from the retailing of tickets for other live entertainment events)?
  - (d) Is the retailing of live music tickets on the Internet and by telephone in a separate market to the retailing of tickets in person at the venue box office?
48. In making our assessment of the relevant market we judged that the 'net price' of ticket retailing should be considered as the ticket retailer's net revenue (ie the total fees charged to the consumer less any rebates or other payments offered to the promoter/venue operator).

### *Primary and secondary sale of tickets*

49. Very few respondents to the consumer survey (just 2 per cent) acknowledged that they had bought tickets for live music events in the last 12 months to resell to someone they did not know. We recognized that this figure was likely to underestimate the proportion of secondary reselling due to a possible perception that it was illegal or wrong to do so. Viagogo told us that it believed between 15 and 20 per cent of tickets for live music events were resold on the secondary market.
50. The hypothetical monopolist test suggests that the product market should include the secondary sale of tickets if prices in the primary market are constrained by prices in the secondary market.
51. Live Nation and Ticketmaster told us that there had been a blurring between the primary and secondary markets as secondary agents had started to act as primary agents for premium tickets (see paragraph 8). Nevertheless, we saw no evidence of secondary ticket agents competing more generally for primary sales.
52. Ticketmaster also argued that it would be easy for secondary ticket agents to begin selling tickets on the primary market in response to a SSNIP by existing primary ticket agents. However, Viagogo told us that offering high volumes of primary tickets would require significant changes to its business model, including establishing greater capacity both for transactions on its website and for physical fulfilment, and establishing many new relationships with promoters and venues. Conversely, we also noted that Ticketmaster attempted to enter the secondary market by including a ticket exchange facility on its main website; however, this facility was little used and, subsequently, Ticketmaster acquired an existing secondary agent, GetMeIn.
53. We also observed large differences in the prices charged by primary and secondary agents. Ticketmaster's average net revenue was about [redacted] per cent of the ticket price (see paragraph 120), whereas secondary agents typically charged around 25 per cent of the ticket price, split between the seller and the buyer.
54. We concluded that there was a separate market for the primary retailing of tickets.

### *Self-supply of tickets*

55. Live Nation and Ticketmaster told us that a SSNIP by all primary ticket agents would induce many venues to switch to self-ticketing. Ticketmaster also said that, in its experience, the threat of self-ticketing was frequently a feature of contract negotiations.
56. We noted that venues which self-ticketed provided the same essential service to the consumer as a primary ticket agent acting for a venue. We noted that a couple of self-ticketing venues (the SECC and the NEC) were now using the technology they used for self-ticketing to sell tickets for promoters and other venues, so acting as primary ticket agents (Ticketsoup and Ticketfactory respectively).
57. We concluded that the market for the primary retailing of tickets should include the self-supply of tickets.

### *Live music tickets*

58. We considered whether a SSNIP by all primary retailers of live music tickets would be unprofitable owing to substitution of other types of event for live music events.



59. In response to a SSNIP by a hypothetical monopolist live music ticket retailer, promoters and venues could do one or more of the following: allow the hypothetical monopolist to charge higher booking fees (or increase the face value of ticket prices), reduce their payments to artists, and/or absorb lower rebates from the hypothetical monopolist.<sup>22</sup>
- (a) As regards increases in booking fees, the consumer survey suggested that very few consumers would stop purchasing tickets altogether in response to a SSNIP.<sup>23</sup> Although we noted that concern about perceived value for money may cause some promoters/venues to control the total cost of attending their events (see paragraph 37), we believed this concern was less likely in the context of an increase in the price of all events than in the context of an increase in the price of the events of one promoter/venue. Consequently, we did not consider that a SSNIP through an increase in booking fees for all live music events would lead to a large enough reduction in attendance to make a SSNIP unprofitable.
- (b) As regards increases in the face value of ticket prices, we found that similar considerations apply as to increases in booking fees. If, as suggested by Live Nation (see paragraph 23), consumers are more sensitive to the face-value ticket price than to booking fees, it is more likely that ticket retailers would allow increased booking fees than increased face-value ticket prices.
- (c) If payments to artists are reduced, artists might perform at fewer events but we would not expect this effect to have a large enough impact on ticket volumes for a SSNIP by a ticket retailer to become unprofitable. Moreover, if artists did perform at fewer events, the profits of promoters/venues would also be affected, making it more likely that they would increase booking fees or face-value ticket prices rather than reduce payments to artists.
- (d) If promoters/venues simply absorbed lower rebates, there would be no impact on ticket volumes and a SSNIP by a ticket retailer would be profitable.

Therefore, we concluded that a SSNIP by a hypothetical monopolist live music ticket retailer would be profitable, despite the possible responses from promoters/venues.

60. Our guidelines state that in defining the product market we will consider the potential for supply-side substitution, which occurs when a price rise prompts other companies to start supplying, at short notice, an effective substitute to the product in question. We found that most of the providers of ticketing for other events had some presence in ticketing live music and, therefore, were already included in our assessment of competition. We found that there were no other companies which needed to be included because they would, at short notice, start supplying live music primary ticket retailing services in response to a SSNIP.

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<sup>22</sup>In the case of ticket agents, we assume that the SSNIP would take the form of a request to promoters/venues for increased booking fees or a reduction in rebates. In the case of self-ticketers, we assume that the SSNIP would take the form of an increase in booking fees or in the face-value ticket price.

<sup>23</sup>The consumer survey found that, if the fees had been 5 per cent higher, 2 per cent of respondents would not have bought tickets, as compared with 90 per cent who would still have bought tickets from the same place and 8 per cent who would have tried to buy tickets for the same event from somewhere else (GfK NOP survey report, paragraph 46 and Figure 20). Even adopting the extreme assumption that all 8 per cent would have been unsuccessful in buying tickets elsewhere on acceptable terms, these figures suggest that a 5 per cent price increase would be profitable, as long as the margin was not more than 45 per cent. A similar analysis, using survey responses, suggested that a 10 per cent price rise would be more profitable than a 5 per cent price rise. In response to a 10 per cent increase in the fees, 3 per cent of respondents would not have bought tickets at all, or done something else, 84 per cent would still have bought tickets from the same place and 12 per cent would have tried to buy tickets for the same event from somewhere else, implying that a 10 per cent price increase would be profitable, as long as the margin was not more than 50 per cent (again adopting the extreme assumption that all 12 per cent would have been unsuccessful in buying tickets elsewhere on acceptable terms).

61. Ticketmaster told us that no ticket agent operating in the UK market presented itself as a single genre, 'live music' agent and that the shares attributable to Ticketmaster and See Tickets would vary according to whether or not the market was defined to include ticket sales for events other than live music. We noted that the shares of Ticketmaster and See Tickets were higher in live music and judged that this supported our market definition because, if supply-side substitution was easy, we might have expected shares to be similar in live music and in other genres. We regarded the fact that Ticketmaster and See Tickets had higher shares in live music as suggestive that it was not easy for other ticket retailers to expand their live music activities.
62. We concluded that there was a separate market for the primary retailing of tickets for live music events.

### *Retailing of tickets through the venue box office*

63. Our guidelines state that the hypothetical monopolist test begins by considering each narrowly-defined product. We did not see a need to consider whether telephone and Internet sales were in separate markets as the competitive factors affecting them were likely to be similar. Therefore, we started with a market covering telephone and Internet sales and considered whether it should be widened to include in-person ticket sales at venue box offices.
64. We noted that the sale of tickets in-person at the venue box office did not usually include booking fees. Therefore, we might expect price-sensitive consumers who were able to do so (due to location) to have chosen already to purchase tickets through this channel. The consumer survey found that consumers did not tend to shop around for tickets and only 12 per cent of live music consumers purchasing tickets on the Internet or by phone would seek to buy tickets for the same event elsewhere in response to a 10 per cent increase in the booking fee.<sup>24</sup> Furthermore, nearly all of the consumers who indicated an intention to switch would have sought to purchase from another Internet or phone source, not from the venue box office.<sup>25</sup> Therefore, we found that a SSNIP by all the primary retailers of live music tickets using the Internet and telephone was unlikely to lead many consumers to switch to the venue box office and was unlikely to be unprofitable.
65. We concluded that the market for the primary retailing of live music tickets should not be extended to include in-person sales at venue box offices.

### **Conclusion on market definition**

66. We concluded that the relevant market for our purposes was the primary retailing of live music tickets on the Internet and by telephone, including the self-supply of tickets by venues but excluding in-person sales at venue box offices.
67. In the remainder of this appendix we consider the extent of competition in this market, including assessing the market shares of the incumbent providers, and any barriers to entry and expansion.

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<sup>24</sup>GfK NOP survey report, paragraph 46.

<sup>25</sup>Based on what respondents would have done if they had been unable to buy the ticket from the first place they tried (using only responses from those who purchased over the Internet or by telephone and who would have tried to buy tickets from somewhere else if the fee had been increased by 10 per cent).

## Market shares in live music ticket retailing

68. We considered market shares in live music ticket retailing using three sets of information:
- (a) the number of tickets sold by ticket retailers;
  - (b) the value of live music ticket sales by ticket retailers, compared with an estimate of the total value of live music ticket sales; and
  - (c) the consumer survey, showing the percentage of respondents who bought their tickets from different ticket retailers.

### Number of tickets sold

69. Table 4 shows our estimates on the proportion of tickets sold by different retailers. We calculated these estimates as follows:
- (a) where available, we used information from the companies themselves on the number of live music tickets they sold;
  - (b) for other ticket agents, we made an estimate based on their shares of tickets sold for Live Nation events; and
  - (c) for the remaining self-supplying venues, we made a similar estimate based on their shares of tickets sold for Live Nation events (using information provided by Live Nation and Ticketmaster).
70. This evidence suggested that 19.5 million live music tickets were sold in the UK in 2008. Ticketmaster's share was [redacted] per cent and that of See Tickets was [redacted] per cent, but no other retailer had a share of more than 5 per cent.

TABLE 4 Estimated live music ticket numbers and market shares, 2008

	<i>Tickets (million)</i>	<i>Market share %</i>
Ticketmaster	[redacted]	[redacted]
See Tickets	[redacted]	[redacted]
Ticketline	[redacted]	[redacted]
Ticketsoup (SECC)	[redacted]	[redacted]
Seatem	[redacted]	[redacted]
Ticket Factory (NEC)	[redacted]	[redacted]
Bristol Ticket Shop	[redacted]	[redacted]
lastminute.com	[redacted]	[redacted]
Other agents*	[redacted]	[redacted]
Other venues (self supply)†	[redacted]	[redacted]
Total	19.5	100.0

Source: CC calculations.

\*CC estimate based on share of tickets for Live Nation events.

†CC estimate based on share of tickets for Live Nation events sold by self-supplying venues.

Note: Figures do not sum to 100 per cent due to rounding.

71. For four of the ticket agents (Ticketzone, Wegottickets, Gigantic.com and Stargreen) which did not provide us with sales data and for which we made an estimate of their ticket sales, Ticketmaster also provided us with an estimate of their ticket sales. Using Ticketmaster's estimates would increase the number of tickets in Table 4 to 20.4 million and reduce Ticketmaster's share to [redacted] per cent.

72. The above estimates are based on the total number of tickets sold by ticket agents including those sold on a white-label basis (eg See Tickets sells tickets for SJM and Metropolis via Gigsandtours.com). It also includes cases where the consumer went first to the promoter's or venue's website and was passed through to a ticket agent's website. To give an indication of the proportion of these sales, if we excluded from See Tickets sales of all tickets to consumers on Gigsandtours.com, See Ticket's market share would reduce from [X] to [X] per cent.

### **Value of live music sales**

73. PRS for Music has recently made estimates of the value of live music ticket sales.<sup>26</sup> We used PRS for Music's estimates to calculate the total value of ticket sales at face value in the market, adjusting as necessary for consistency with our definition of the market (see Table 5). We then calculated Ticketmaster's market share by dividing its ticket sales at face value by the total market size. We found that, on this basis, Ticketmaster's market share in 2008 was [X] per cent, ie very similar to the result shown in Table 4.

TABLE 5 Value of 2008 live music ticket sales and Ticketmaster share

	£ million
Total	904.1
Classical music	-50.3
Live music (rock/pop)	853.8
less booking fees	-77.6
Total at face value	776.2
less in-person sales at venue	-36.3
Total for relevant market	739.9
Ticketmaster sales	[X]
Ticketmaster share %	[X]

Source: CC calculations based on data from PRS for Music and Ticketmaster.

74. PRS for Music's figures are based on grossing up payments of the PRS for Music royalty levy. Since the levy is payable on most rock/pop events, we believed that this method should provide a fairly reliable estimate of market size. We noted that very small events may not pay the royalty levy but these events are likely to be a negligible part of the total market, in particular when the market excludes in-person ticket sales at the venue.
75. We compared Ticketmaster's sales data with PRS for Music's market size data over the period 2004 to 2008 and found that Ticketmaster's market share had increased, though with some significant fluctuation between individual years. We found that there were two principal reasons why Ticketmaster's market share had increased: (i) AEG (a Ticketmaster client in many international markets) opened the O2 Arena, which had quickly become the UK's most popular live music venue; and (ii) Ticketmaster had won the ticketing contract for the refurbished Wembley Arena when it reopened in 2007.

### **Survey responses**

76. We also looked at an alternative approach for measuring market shares based on where respondents to the consumer survey said they purchased their tickets. Respondents said whether they purchased their tickets from a ticket agent or from

<sup>26</sup>Adding up the music industry for 2008, Economic Insight Issue 15, PRS for Music, 20 July 2009.

the venue or event organizer (or in a few cases the artist), and, if from a ticket agent, which one. We noted that this approach would only include in the calculation of ticket agents' market shares those ticket sales where the consumer was aware of purchasing from a ticket agent, not white-labelled sales.

77. On this basis, we calculated that Ticketmaster's market share was about [redacted] per cent and See Tickets' market share was about [redacted] per cent (see Table 6). However, we noted that some caution was needed in basing market shares on survey responses as they may be subject to potential problems, including the failure of respondents to recollect fully their previous behaviour, a possible biasing of representations in the sample and sampling variation.

TABLE 6 Where respondents to the consumer survey purchased tickets, 2009

	%
Ticketmaster	[redacted]
See Tickets	[redacted]
Ticketline	[redacted]
Other ticket agents	[redacted]
Venue	[redacted]
Event organizer	[redacted]
Artist	[redacted]

Source: CC analysis of survey responses.

*Notes:*

1. Based on 646 respondents who purchased over the Internet or the telephone, excluding those purchasing from secondary ticket agents (eBay, Seatwave, GetMeIn).
2. Figures do not sum to 100 per cent due to rounding.

## Competition between existing primary retailers for live music tickets

78. We assessed the extent of competition between Ticketmaster and other ticket agents, including See Tickets, for business from promoters and venues separately.

### Promoters

79. Promoters sell tickets for their live music events through ticket agents (often including one preferred ticket agent) and sometimes through their own websites (usually operated by a ticket agent on a white-labelled or co-branded basis). Live Nation sells tickets through its own website, operated by Ticketmaster; SJM and Metropolis sell tickets through the gigsandtours.com website, operated by See Tickets; and 3A sells tickets through its bookingsdirect website, also operated by See Tickets. Where a promoter has a preferred ticket agent, this relationship is often expressed in a multi-year contract (see paragraph 15(a)). Competition between ticket agents occurs when such contracts expire and on an ongoing basis for any remaining ticket allocation. Since promoters can reallocate tickets at short notice and with few switching costs, competition can occur continuously. Competition between ticket agents can take place on the basis of the booking fee, the rebate to the promoter (including any upfront payment) and the ability of the ticket agent to sell tickets successfully.
80. Metropolis told us that Ticketmaster and See Tickets were the strongest ticket agents in the UK and received its largest ticket allocations. Metropolis added that it also used Ticketline and Stargreen, but to a lesser extent.
81. Regular Music told us that Ticketmaster and See Tickets were the only two credible ticket agents of any real scale in the UK market. Regular Music said that, [redacted], it had switched from Ticketmaster to See Tickets, and did not consider any other

alternatives. Regular Music said that, at the time, it was concerned that sales volumes might fall as many consumers purchased directly from Ticketmaster's website and it might have to rely on more advertising to generate ticket sales but, following the switch, it had not actually seen any fall in sales and had not spent any more on advertising. Regular Music told us that it continued to allocate some tickets to Ticketmaster, but at much lower volumes.

82. See Tickets told us that there were only three other significant live music ticket agents: Ticketmaster, Ticketline and Stargreen.
83. Ticketmaster told us that, in its negotiations with promoters, it was always aware that the promoter had a choice between Ticketmaster and numerous other ticket agents. However, in the examples Ticketmaster provided, we noted that the principal alternative was almost always See Tickets.
84. Ticketmaster also provided us with examples showing that, for some festivals, some of the small ticket agents had sold the majority of tickets. Ticketmaster submitted that, for many live music events, it had received small allocations of tickets from promoters. Ticketmaster provided us with figures for a large sample of 2008 live music events, which showed that it sold no tickets for events accounting for about [redacted] per cent of the market's total size (by total number of tickets). The figures also showed that, for events which, in total, represented about [redacted] per cent of the market (by total number of tickets), Ticketmaster sold less than [redacted] per cent of the available tickets.<sup>27</sup> Ticketmaster told us that, on the basis of this evidence and its continuing need to compete aggressively against other ticket agents to gain ticket allocations from promoters and venues, it was not a 'must have' trading partner for promoters.
85. Nevertheless, we noted that Ticketmaster had several advantages over small ticket agents, including:
  - (a) consumers know Ticketmaster and many consumers use its website regularly (Ticketmaster's website has a much higher awareness among consumers than the website of any other ticket agent (see paragraph 32);
  - (b) Ticketmaster has the ability to market live music events to large numbers of potential consumers, in particular targeting the most likely potential consumers, using its extensive database of previous customers—though the consumer survey found that only around 5 per cent of purchases resulted from an email from a ticket agent; and
  - (c) Ticketmaster has a proven track record of operating reliably, even at significant scale, and is trusted by both promoters and consumers.

## **Venues**

86. A venue sells tickets for events in person at the box office, through its own website, through the website of a preferred ticket agent (unless self-ticketing), and by telephone (often through its own box office, with out-of-hours and overflow calls routed to a call centre). Where a venue sells via a ticket agent, the agent usually provides the call centre and, where a venue self-tickets, it usually contracts for call centre services.

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<sup>27</sup>[redacted]

87. Ticketmaster told us that, of the 19 live music arenas in the UK, eight arenas used Ticketmaster as their preferred ticket agent, two arenas used See Tickets and nine arenas self-ticketed, as shown in Table 7. Ticketmaster said that, out of 172 music venues in the UK with an audience capacity in excess of 1,000 people, 54 venues self-ticketed.

TABLE 7 Ticketing suppliers for 19 live music arenas in the UK

<i>Arena</i>	<i>Ticketing supplier</i>	<i>System (for self-ticketers)</i>
Aberdeen Press and Journal Arena	Ticketmaster	
SECC Arena Glasgow	Self-ticketing	Enta
Metro Radio Arena Newcastle	Ticketmaster	
Odyssey Arena Belfast	Ticketmaster	
Liverpool Echo Arena	Self-ticketing	AudienceView
Manchester Evening News Arena	Ticketmaster	
Sheffield Arena	Self-ticketing	AudienceView
Trent FM Arena Nottingham	See Tickets	
NIA Birmingham	Self-ticketing	AudienceView
NEC Arena Birmingham	Self-ticketing	AudienceView
Cardiff International Arena	Ticketmaster	
Earls Court London	See Tickets	
Wembley Arena London	Ticketmaster	
The O2 Arena London	Ticketmaster	
Plymouth Pavilions	Self-ticketing	Tickets.com
Bournemouth International Centre	Self-ticketing	Enta
Brighton Centre	Ticketmaster	
Ricoh Arena Coventry	Self-ticketing	Iris
Royal Albert Hall London	Self-ticketing	Tessitura

Source: Ticketmaster.

88. We noted that a venue's attractiveness to promoters depended both on its facilities and rental fees and on its ability to sell tickets. We found that, for the large venues in Table 7 (excluding the Odyssey Arena Belfast), and using Live Nation's events as a proxy for all events, the venues which self-ticketed did not sell a lower proportion of tickets than the venues ticketed by Ticketmaster or See Tickets (the weighted average of tickets sold by venues in both groups was around 70 per cent). This evidence suggested that a venue's ability to sell tickets was not dependent on having either Ticketmaster or See Tickets as the venue's preferred ticket agent.
89. See Tickets told us that its main relationships were with promoters rather than venues and its contracts with the Trent FM Arena in Nottingham and Earls Court were exceptional. See Tickets said that it hoped to be able to target venues better in the future as a fellow subsidiary in the group of which it was now a part had a ticketing system which operated well in venues, which See Tickets intended to offer in the UK.
90. AEG told us that, due to Ticketmaster's scale and position in the market, it was effectively an unavoidable trading partner for large venue operators. AEG said that many venues had long-term exclusive (or effectively exclusive) contracts with Ticketmaster and no other UK ticketing company was a viable alternative. AEG told us that venues chose Ticketmaster because of its scale, ancillary services, interoperability and reputation. We noted that AEG was a global company which sought to contract with a ticket retailer globally, possibly making self-ticketing in its venues a less-attractive option.
91. Ticketmaster provided several examples of venues switching ticketing technology, suggesting that the barriers to switching were limited. Ticketmaster also told us that it had competed vigorously for some of these contracts. However, we saw little evidence of live music venues actually switching from using a ticket agent to self-

ticketing, or vice versa. We noted that this limited amount of switching could reflect different preferences between venues, some venues preferring to use a ticket agent and others preferring to self-ticket.

92. While we did not find evidence that self-ticketing venues were less effective in selling tickets than venues using ticket retailers, we also did not find much evidence of venues switching between using a ticket retailer and self-ticketing, which we would expect to observe if the threat of self-ticketing was an active constraint on ticket retailers, including Ticketmaster. We noted that there were examples of self-ticketing venues changing their ticketing software, and examples of self-ticketing venues becoming small-scale ticketing retailers (eg Ticketsoup and Ticketfactory), but we found that very few venues had switched from using a ticket retailer to self-ticketing. Ticketmaster argued that the threat of self-ticketing could be perfectly effective as a competitive constraint even if there were an absence of many examples of actual switching, and that the threat of self-ticketing was a commercial reality and a typical feature of its negotiations with clients. While we accepted that venues did threaten to self-ticket, we judged that self-ticketing (either actual or threatened) imposed a limited competitive constraint on the large incumbent ticket agents.

### **Barriers to entry and expansion in the primary retailing of live music tickets**

93. Barriers to entry and expansion are features of the market that may prevent or restrict entrants and smaller incumbent firms from exploiting profitable opportunities, and hence enable existing suppliers to raise prices above costs persistently without significant loss of market share.<sup>28</sup> We considered the extent to which the threat of entry by a new ticket retailer or expansion by a small existing ticket retailer might constrain the large incumbent retailers of live music tickets.
94. Ticketmaster told us that the principal costs of entry were the costs of developing or licensing a ticketing system, building a reputation for reliability and trust, establishing effective sales points (eg websites and call centres), forming relationships with promoters and venues, and creating consumer awareness. Ticketmaster submitted that none of these costs was exceptional or substantial, and all of them were scalable, allowing initial small-scale entry with the possibility of growing over time.
95. AEG told us that existing ticket retailers had significant incumbency advantages as the costs of switching ticketing supplier, particularly for a large venue operator, were substantial. These costs included the technology upheaval and the need to run two systems in parallel for the period of transfer (which could last several months).
96. lastminute.com told us that it had found it difficult to gain access to live music tickets. lastminute.com said that it did not receive any significant ticket allocations because of the long-term contracts and relationships which existed between promoters/venues and their incumbent ticket agents.
97. lastminute.com told us that, when it began retailing live music tickets in 1998, it had been required by promoters to purchase tickets before reselling them, so requiring lastminute.com to act as a reseller rather than as an agent and to assume all the risk of tickets being unsold. In addition, promoters placed restrictions on how tickets could be sold (eg tickets could not be discounted). lastminute.com told us that, about two years ago, it decided not to continue taking on this risk and, as a result, its sales of live music tickets had declined significantly.

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<sup>28</sup>Market Investigation References: Competition Commission Guidelines, June 2003, CC3, [paragraph 3.22](#).



98. Ticketmaster told us that lastminute.com was set to become a more significant retailer of live music tickets following its partnership agreement with the O2 Arena. However, lastminute.com told us that this agreement was for lastminute.com to be a packaging partner, in particular selling hotel packages to customers coming to London. lastminute.com told us that, while the O2 Arena had committed to allocating it [✂] tickets each year, in practice these tickets were often for events which the venue was struggling to sell, and not for its most popular events. lastminute.com told us that this ticket stock did not give it coverage over a broad range of events, in particular the most popular events, which it needed if it was to grow in the market as a retailer of live music tickets.
99. Eventim told us that, in order to enter a new geographic market, it needed a significant guaranteed base of ticket stock, as having tickets for sale attracted ticket buyers and, once an agent had relationships with ticket buyers, it could attract further tickets for sale from other promoters and venues. Eventim said that, if consumers searched a website for certain tickets and the tickets were not available, the customer could be lost for all future potential sales. Therefore, for any ticketing retailer, a broad portfolio of quality ticket stock was essential.
100. Eventim told us that there were two viable routes to enter a new geographic market, either by acquiring an existing ticket retailer or through establishing a preferred agreement with a large live music promoter and venue operator. In order to become one of the leading ticket retailers in the UK, Eventim said that it would have needed either to acquire one of the two largest existing retailers (ie Ticketmaster or See Tickets), or to become Live Nation's preferred ticket agent. Eventim said that an acquisition of any of the smaller ticket retailers in the UK would not have given it the foothold in the market from which to grow. Eventim also said that no other promoter or venue operator could have offered Eventim the volume and breadth of ticket inventory which was necessary to attract consumers, and so attract further tickets from other promoters and venues.
101. Ticketmaster submitted that it was not difficult for an entrant to obtain a broad portfolio of quality ticket stock because promoters allocated tickets to multiple ticket agents, which enabled entrants to demonstrate their capabilities and, if successful, obtain larger allocations. Ticketmaster also told us that it was easy for entrants to attract consumers through search engine optimization.
102. Ticketmaster constructed a model of large-scale entry, which it said was based on realistic assumptions and would be achievable by a reasonably well-funded new entrant. Ticketmaster assumed that the entrant licensed the necessary ticketing technology on a per-ticket basis, which would allow one of its significant costs to scale with its revenues. Ticketmaster assumed that the new entrant would gain ticket inventory initially as a result of approaching promoters but, subsequently, it would gain further ticket allocations by aggressive marketing activities. In one variant of the model, the entrant gained venue clients in the second and subsequent years of operation; in the other variant of the model the entrant did not gain venue clients. In both variants, the entrant incurred negative cash flow of around £1.2 million over the first six quarters before becoming cash-flow positive and, in each case, the total payback period was three years. By the fourth year, the entrant achieved sales of about 3 million tickets<sup>29</sup> and an EBITDA margin of over 20 per cent. In both variants

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<sup>29</sup>The entrant with venue clients achieved sales of 3.0 million tickets in the fourth year and 4.0 million in the fifth year; the entrant without venue clients achieved sales of 2.5 million tickets in the fourth year and 3.3 million in the fifth.

of the model, over the first five years of operation, the entrant earned an internal rate of return of over 80 per cent a year.<sup>30</sup>

103. Ticketmaster told us that its modelling showed that entrants did not need to make one-off and inflexible large investments in order to operate at scale; rather, entrants could develop the scale of their business in line with growth in demand. However, we noted that there were many small ticket agents which had not grown significantly over many years. The market shares of these agents had remained low, while Ticketmaster's market share had remained much higher (see paragraph 75). We noted that a situation where expansion has not occurred, but is potentially highly profitable, is consistent with barriers to expansion.
104. Live Nation submitted that, as the consumer survey showed that ticket agents played a minimal role in raising awareness of live music events (see Table 2 and [Annex 1](#)), there could be no network effects creating a barrier to expansion.
105. We agreed that gaining access to an initial allocation of tickets was not a significant barrier to entry. However, we also noted that the consumer survey found that a significant proportion of consumers went directly to their chosen ticket agent's website or call centre (see paragraph 28), suggesting a degree of incumbency advantage. We noted that such an advantage could arise mainly because of a perception that the chosen ticket agent was reliable and secure, and that it was more convenient to go to the place where the consumer believed that tickets for their desired event were most likely to be available (see paragraph 33).
106. We found, on the basis of the consumer survey, that one of the principal differences between the large incumbent ticket retailers and the small retailers was the level of their access to consumers. We concluded that a large-scale entrant or a small ticket retailer seeking to expand would need to invest significantly in marketing and brand development in order to obtain a level of consumer awareness similar to that enjoyed by the large incumbent ticket retailers. We judged that this size of necessary investment increased the risks associated with large-scale entry and expansion.
107. We also found that the existence in the UK of many long-term preferred relationships between promoters/venue operators and their ticketing providers could affect entry and expansion. For example, over the last ten years, UK ticket agents other than Ticketmaster have been able to obtain few tickets from Live Nation. [X] and [X] told us that they would be reluctant to switch to a new ticket agent because, given that their artists toured every couple of years and many consumers saw the same artists each time they toured, their incumbent ticket agent would hold the contact details for many potential consumers, which a new ticket agent would not. [X] also told us that there would be significant upheaval caused by installing a new ticketing system, and both systems would have to be run in parallel until the events booked on the former system had taken place. We also noted that many preferred contracts incorporated a 'marketing fee' or upfront rebate which the ticket agent paid to the promoter or venue operator to secure the contract. For all these reasons, we concluded that breaking into these relationships, where the incumbent has many significant advantages, could be difficult. Nevertheless, we also noted that few preferred relationships between promoters and ticket agents in the UK were exclusive and, given the high number of promoters and venue operators controlling live music tickets (see Appendix F), there were many preferred relationships in the industry, which came up for renewal on a regular basis.

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<sup>30</sup>The entrant with venue clients achieved an internal rate of return of 103 per cent a year; the entrant without venue clients achieved an internal rate of return of 84 per cent a year.

108. Several ticket agents also told us about the importance of being able to sell large volumes of tickets quickly, which required a reliable ticketing system. We noted that access to such systems was relatively easy, as ticketing software could be licensed from several suppliers. However, we noted that, in many cases, ticket retailers had customized their ticketing systems, and the large ticket retailers (eg Ticketmaster and Eventim) had developed their own bespoke systems. We concluded that the need to invest, to some extent, in technology so as to be able to deliver a reliable high-volume sales process could make it more difficult to become a large-scale retailer of live music tickets.
109. We concluded that the need to invest significantly in order to gain access to large numbers of consumers was a material barrier to large-scale entry and expansion. In addition, we noted that there were other factors which could make it difficult to become a large-scale retailer of live music tickets, including the need to establish preferred relationships with promoters and venue operators, and the need to be able to deliver a reliable, high-volume sales process. We noted that overcoming these barriers would require access to significant funding, which many new entrants or small ticket retailers looking to expand might find difficult to obtain.

### ***Recent and prospective entry into ticket retailing***

110. We noted that there have been two recent examples of entry into the market for the primary retailing of live music tickets:
  - (a) Gigantic; and
  - (b) HMV.
111. Ticketmaster told us that Gigantic was set up by a former account manager at See Tickets, who had positioned the business as an ethical retailer of live music tickets. We noted that Gigantic has been successful in obtaining ticket allocations for a large number of events and that this supported the arguments of Live Nation and Ticketmaster that it was not difficult for an entrant to obtain ticket allocations from promoters.
112. HMV began retailing live music tickets in October 2008 through its chain of high street stores and through its website, using Seatem's Enta ticketing software. HMV has a joint venture agreement with the Mama Group, which will ensure that HMV receives an allocation of tickets from its 'Mean Fiddler' venues. HMV also has an established position in the music sector as a retailer of recorded music, which could give it some advantage compared with other potential entrants. HMV told us that it was pitching to promoters and venues and expected to sell around [redacted] tickets in the year to April 2010, and [redacted] tickets in the years to April 2011. If achieved, and assuming these tickets are all for live music events, by 2011 HMV would have a market share of around [redacted] per cent.
113. Ticketmaster told us that there was no reason why HMV would not become a substantial competitor in the retailing of live music tickets. However, although we recognized that retailing tickets was complementary to HMV's existing business, and that its network of stores offered HMV a distinctive proposition, we noted that there were some risks to its success, in particular that HMV had little previous experience of retailing live music tickets (albeit HMV has a partnership with Mama Group in live music venues), and few consumers were used to buying their live music tickets in person in a store. Therefore, we concluded that we could not rely on HMV becoming an effective constraint on the incumbent retailers of live music tickets in the future.

114. Ticketmaster suggested that entry into the primary retailing of live music tickets was possible from several other routes:
- (a) existing secondary ticket agents (eg Seatwave and Viagogo) could extend their activities in the primary market beyond premium ticket sales;
  - (b) existing online retailers (eg Amazon, iTunes, Play.com, Nokia Music Store, Facebook and Spotify) could diversify into selling tickets for live music events; and
  - (c) existing self-ticketing venues could begin selling tickets for other venues and promoters (eg the Sheffield Arena could adopt the same model as the SECC and the NEC).
115. We recognized that the ticket retailing market was changing, for example through greater use of premium tickets and dynamic pricing, and that these changes were leading to a greater role in the primary market for the existing secondary ticket agents. However, we found that, although some secondary ticket agents already had a presence in the primary market through the sale of premium tickets, becoming large primary retailers of tickets would represent a very different business model (see paragraph 52). Secondary ticket agents provided a marketplace in which consumers bought and sold tickets and they did not generally sell tickets themselves or provide fulfilment. Viagogo told us that it would need to incur significant investment if it were to enter the primary retail market and it had no plans to do so. Seatwave told us that, currently, it did not have the capability to offer sales on behalf of venues and any plans to enter this market were some way off.
116. We considered whether any of the companies suggested by Ticketmaster were likely to enter the ticketing market in the foreseeable future. We found no evidence to indicate that they would. Spotify told us that it was not planning to enter the market for live music ticketing in the near future and, if it did begin to offer tickets, it was most likely to become a ticket affiliate, linking to an existing ticket agent.
117. We noted that the SECC (Ticketsoup) and the NEC (Ticketfactory) were existing competitors in the market but we did not see any evidence of other self-ticketing venues beginning to act as general retailers of live music tickets.

### **Analysis of fees and rebates**

118. Ticket agents compete for allocations of tickets from promoters and venues. Key features of this competition are the level of rebate offered to the promoter/venue and the quality of service, in particular the ability of the ticket agent to sell tickets to consumers. We would expect that any lack of effective competition between ticket agents would be manifested in low rebates and/or poor quality of service.
119. Table 8 shows Ticketmaster's fees, rebates and net revenue (fees less rebates) for its top 10 clients in 2008.

TABLE 8 Ticketmaster's fees and net rebates for its top 10 clients, 2008

	Share of genre total %	Average face value per ticket £	Average booking fee (% of total face value)	Average transaction fee (% of total face value)	Average total fee (% of total face value)	Net rebate* %	Ticketmaster's net revenue (% of face value)†
<i>Ticketmaster's top 10 live music clients</i>							
[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
[X]‡	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: CC analysis of data supplied by Ticketmaster.

\*Rebates net of any inside charges as percentage of total face value.

†Net revenue equals total fees less rebates.

‡[X]

Note: Figures do not sum due to rounding.

120. Table 8 shows that, on average in 2008, Ticketmaster's total fees were about [X] per cent, and its net revenue about [X] per cent, of the ticket price. [X]

121. Table 9 shows the change in fees, rebates, net revenue and gross margin for Ticketmaster's top 10 live music clients over the last five years (in nominal and real terms, and as a percentage of ticket face value).

TABLE 9 Ticketmaster's fees, rebates net revenue and gross margin per ticket for its top 10 concert clients, 2004–2008

	[X]	[X]	[X]	[X]	[X]
<i>Face value, income and margin per ticket in nominal terms</i>					
[X]*	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]
[X]†	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]
<i>Face value, income and margin per ticket in real terms (2008 prices‡)</i>					
[X]*	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]
[X]†	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]
<i>Income and margin as per cent of face value</i>					
[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]
[X]†	[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]	[X]

Source: CC calculations based on Ticketmaster data.

\*[X]

†[X]

‡2004–2007 values inflated to 2008 prices by the increase in retail prices index (all items excluding mortgage interest payments).

122. Table 9 shows that, over the last five years, Ticketmaster's net revenue per ticket has [redacted] Ticketmaster's real variable costs per transaction have [redacted] (due to [redacted]). As a result [redacted], Ticketmaster's gross margin over this period was [redacted], both in real terms and as a proportion of ticket face value ([redacted]).
123. Ticketmaster argued that its increasing rebates and falling net price per ticket were evidence of a fully effective competitive constraint, as was its inability to benefit, at least to some extent, from rising ticket prices (and general growth in ticketing). We accepted that these trends reflected the fact that Ticketmaster faces some competitive constraints, for example as a result of competition from See Tickets, but we noted that such trends were not necessarily suggestive of fully effective competition as the level of margins may be above the competitive level.
124. We attempted to compare prices (fees net of rebates) of different ticket agents but we were not able to make robust comparisons that took account of differences between clients and types of contract.

### **The OFT's 2005 market study on ticket agents**

125. Live Nation and Ticketmaster submitted that the OFT's 2005 market study<sup>31</sup> found that the UK ticketing market was competitive, and that the evidence the OFT cited in its decision to refer the merger, in particular Ticketmaster's constant market share and margin)<sup>32</sup> would not necessarily imply that the market was no longer competitive.
126. We noted that the OFT's market study was concerned primarily with consumer issues, including fees, pricing transparency and service quality, especially those of secondary ticket agents, but one chapter in the OFT's study dealt explicitly with competition in the primary market (the summary of this chapter is at [Annex 3](#)). The main focus of this chapter was whether promoters' preferential contracts with ticket agents had adverse effects on competition. On this matter, the OFT concluded that, on balance, such arrangements did not act to the detriment of consumers by leading to higher prices. The OFT's study was not concerned with whether competition would be more effective if there were more ticket agents competing to gain ticket allocations from promoters and venues, whether through preferred contracts or not.
127. As noted by the OFT in its decision to refer the merger, the OFT's findings in its 2005 market study would not be inconsistent with a finding that the ticketing market in 2009 would be more competitive if a new significant supplier were to enter.
128. Ticketmaster said that the OFT concluded in January 2005, without qualification, that it had 'not found a lack of competition between ticket agents resulting in a higher level of gross ticket prices to consumers'. Ticketmaster added that the CC had provided no evidence or analysis to explain how the market, which was already competitive, could logically become 'more competitive' for any sustained period of time. Ticketmaster said that, while it was true that in 2005 the OFT did not consider whether competition could be made more effective by further new entry, there was clearly no need for the OFT to consider that point as it had already found that the market was fully competitive. However, we did not agree that the OFT did find that the market was fully competitive—the quotation above was not repeated in the chapter summary and in it the OFT specifically referred to a higher level of gross

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<sup>31</sup>*Ticket agents in the UK*, OFT762, Office of Fair Trading, January 2005.

<sup>32</sup>OFT merger case ME/4079/09: Anticipated merger between Ticketmaster Entertainment Inc. and Live Nation Inc. See: [www.of.gov.uk/advice\\_and\\_resources/resource\\_base/Mergers\\_home/Mergers\\_Cases/2009/Ticketmaster](http://www.of.gov.uk/advice_and_resources/resource_base/Mergers_home/Mergers_Cases/2009/Ticketmaster).

ticket prices, leaving open the possibility that net ticket prices (after rebates) were higher due to a lack of competition between ticket agents.

129. In any event, as part of our inquiry, we made our own assessment of the existing state of competition in 2009, and we were not bound by the findings of the OFT in 2005.

### **Assessment of competition in the market for the primary retailing of live music tickets in the UK**

130. We found that promoters allocated tickets to many ticket agents, although Ticketmaster and See Tickets received the largest allocations from most promoters. We found that some venues self-ticketed but, for those venues which engaged a ticket agent, most used Ticketmaster and a couple of large venues used See Tickets.
131. The consumer survey found that a substantial proportion of consumers (around 40 per cent) went directly to a ticket agent's website to purchase tickets and that a significant minority (around 20 per cent) would not go to other agents if tickets for their preferred event were not available from their chosen ticket agent. We believed that these findings were consistent with promoters' behaviour of allocating tickets to multiple ticket agents in order to maximize sales.
132. The consumer survey also found that Ticketmaster was by far the most well-known ticket agent among consumers. Similarly, promoters told us consistently that, for most events, they allocated the majority of their tickets to either Ticketmaster or See Tickets in order to reach the greatest number of potential consumers. We noted that, where a promoter had a preferred relationship with a ticket agent, it was always with either Ticketmaster or See Tickets. However, we noted that there were many events for which Ticketmaster or See Tickets received a small allocation of tickets (and, occasionally, no tickets at all), suggesting that promoters did have some flexibility in the proportion of tickets they allocated to these ticket agents.
133. We found that a significant proportion of large venues self-ticket and the remainder use either Ticketmaster or See Tickets. We did not find evidence that self-ticketing venues were less effective in selling tickets than venues using Ticketmaster or See Tickets but we also did not find evidence of venues switching from using a ticket agent to self-ticketing, or vice versa, which we might have expected to find if the threat of self-ticketing were to constrain the terms offered by Ticketmaster and See Tickets. We concluded that we could not rely on the option for venues to switch to self-ticketing to constrain the behaviour of the large ticket retailers.
134. We found that Ticketmaster's share of the UK market for the primary retailing of live music tickets was around [§<] per cent, and See tickets' share of this market was just over [§<] per cent. We noted that both shares, especially the share of See Tickets, would be somewhat lower if we excluded sales where the consumer was not aware of purchasing from a ticket agent (ie white-labelled sales).
135. We also found that the current market structure had persisted for some time, and the two incumbent ticket retailers, Ticketmaster and See Tickets, had not been challenged either by large-scale entry or by the expansion of any of the existing suppliers in the market. As stated in our guidelines, competition will often be characterized by uncertainty, turbulence and change and therefore by changes in market structure. We judged that the relative stability of market structure in this market is suggestive of a lack of fully effective competition. Ticketmaster suggested that stable market shares were consistent with a competitive market, but we noted that market shares in a competitive market would only be stable if the underlying

drivers of each firm's competitiveness stayed constant or if changes in these drivers just happened to offset each other.

136. We found that the need to invest in marketing and brand development was a barrier to large-scale entry and expansion.
137. [X] In contrast, Ticketmaster told us that it had been a global leader in introducing new ticketing technology and that it was currently working on many new innovations to offer a better customer experience for those using its website. We did not reach a view on how innovative Ticketmaster had been or could be expected to be in the future.
138. We concluded that there was competition in the market for the primary retailing of live music tickets, in particular between Ticketmaster and See Tickets (and between self-ticketing large venues), but we found that the extent of the competitive constraint imposed on these large retailers by the small retailers of live music tickets was limited. Ticketmaster said that the ticketing market was a bidding market, with no obvious capacity constraints on suppliers, so there was no prima facie reason why rivalry between two bidders should not result in effective competition for ticketing contracts. However, we would expect competition to be stronger with better results for customers if there were more large suppliers bidding effectively for such contracts.
139. We concluded that, with only two large primary retailers of live music tickets, and no likelihood of one of the small retailers expanding to become a large retailer in the near future, competition in the market was less than fully effective.



## Additional analysis of survey responses

1. Tables 1 and 2 show our analysis of how respondents found out about the last event for which they bought tickets over the Internet and by telephone (the tables relate to the first source of awareness quoted by respondents).
2. Table 1 shows that, for respondents who bought over the Internet, around 70 per cent bought from a ticket agent, of which 40 per cent went directly to the agent's website.<sup>33</sup> For the 40 per cent of respondents who went directly to a ticket agent's website, the source of awareness for the event was:
  - (a) ticket-agent specific in around 4 per cent of cases;
  - (b) specific to the live music sector but not a ticket agent in around 7 per cent of cases; and
  - (c) more general in the remaining 29 per cent of cases (or there was insufficient information to judge whether the source of awareness was a ticket agent).

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<sup>33</sup>Annex 2 shows Ticketmaster's analysis of the origin of its Internet traffic. Around [x] per cent of traffic was from one of Ticketmaster's UK sites, around [x] per cent was from [x] search sites, and most of the remainder seems to have come from venue or promoter sites. This analysis relates to all visits to Ticketmaster's Internet site and not just visits that resulted in the purchase of a concert ticket.

TABLE 1 Analysis of tickets purchased over the Internet: source of awareness for event booked and where tickets booked (as percentage of all purchases over the Internet)

		Where tickets booked				per cent
Source of awareness for event (first source quoted)		On the Internet— through the event organizer's website	On the Internet— through the artist's website	On the Internet— through a ticket company's website	On the Internet— through venue's website	Grand total
1	Email from ticket company	0.0	0.0	5.1	0.0	5.1
2	Searching ticket agent's site	<u>0.2</u>	<u>0.0</u>	<u>0.4</u>	<u>0.2</u>	<u>0.7</u>
	Total: ticket-agent specific (lines 1–2)	0.2	0.0	5.4	0.2	5.8
	—of which went directly to website	0.0	0.0	4.2	0.0	4.2
3	Email from event organizer	0.5	0.0	2.4	0.9	3.8
4	Email from venue	0.0	0.2	0.9	0.9	2.0
5	Searching artist's site	1.3	0.4	5.3	1.4	8.3
6	Searching venue's site	0.2	0.2	0.4	0.2	0.9
7	Specialist music site	<u>0.4</u>	<u>0.0</u>	<u>0.9</u>	<u>0.2</u>	<u>1.4</u>
	Total: other specific sources (lines 3–7)	2.4	0.7	9.8	3.6	16.5
	—of which went direct to website	1.3	0.5	6.9	2.5	11.2
8	Email (not specific)	0.0	0.0	0.5	0.4	0.9
9	Internet advertisement	0.4	0.0	3.4	0.4	4.2
10	Internet (general)	0.7	0.0	5.1	1.1	6.9
11	Someone knew	4.2	0.7	19.4	5.6	29.9
12	Advertisement (not specific)	0.0	0.0	0.7	0.0	0.7
13	Billboard/poster	0.4	0.0	0.7	0.2	1.3
14	Direct mail	0.0	0.0	0.2	0.2	0.4
15	Media (general)	0.0	0.2	1.3	0.2	1.6
16	Music press	0.2	0.0	1.4	0.2	1.8
17	Newspaper/magazine advertisement	0.2	0.0	3.6	0.5	4.3
18	Newspaper/magazine (read in)	0.5	0.0	3.6	0.9	5.1
19	Radio (general)	0.2	0.0	2.0	0.0	2.2
20	Radio advertisement	0.5	0.0	4.0	1.1	5.6
21	Television advertisement	0.5	0.0	1.4	0.2	2.2
22	Television programme	0.2	0.0	0.5	0.5	1.3
23	Other	2.0	0.4	3.4	0.9	6.7
24	Don't know	<u>0.2</u>	<u>0.0</u>	<u>2.2</u>	<u>0.4</u>	<u>2.7</u>
	Total: non-specific sources (lines 8–24)	10.1	1.3	53.6	12.7	77.7
	—of which went direct to website	5.8	0.7	29.3	7.8	43.7
	<b>Grand total</b>	<b>12.7</b>	<b>2.0</b>	<b>68.8</b>	<b>16.5</b>	<b>100.0</b>
	<b>—of which went direct to website</b>	<b>7.1</b>	<b>1.3</b>	<b>40.4</b>	<b>10.3</b>	<b>59.1</b>

Source: CC analysis of survey data.

Note: Figures do not sum to 100 per cent due to rounding.

3. Table 2 shows a similar analysis for telephone purchases. In about 42 per cent of telephone purchases, respondents phoned a ticket agent (rather than the event organizer or venue). The respondent's source of awareness was as follows:
  - (a) in around 12 per cent of cases, the source of awareness was ticket-agent specific, including cases where the respondent already had the number of the ticket agent;
  - (b) in around 3 per cent of cases, the source of awareness was specific to the live music sector but not a ticket agent; and
  - (c) in the remaining 27 per cent of cases, the source of awareness was more general (or there was insufficient information to judge whether the ultimate source of awareness was a ticket agent).

TABLE 2 Analysis of tickets purchased by telephone: how telephone number located and where ticket booked (as percentage of all purchases by telephone)

*per cent*

*Where tickets booked*

	<i>Phoning the event organizer</i>	<i>Phoning the ticket company</i>	<i>Phoning the venue</i>	<i>Grand total</i>
<i>Source of awareness for event (first source quoted)</i>				
1	0.0	1.8	0.0	1.8
2	0.0	3.5	0.0	3.5
3	<u>0.0</u>	<u>6.2</u>	<u>3.5</u>	<u>9.7</u>
	<i>0.0</i>	<i>11.5</i>	<i>3.5</i>	<i>15.0</i>
<i>Ticket-agent specific</i>				
4	0.9	0.0	0.0	0.9
5	0.0	0.0	1.8	1.8
6	0.0	0.9	12.4	13.3
7	0.0	1.8	1.8	3.5
8	<u>0.0</u>	<u>0.0</u>	<u>0.9</u>	<u>0.9</u>
	<i>0.9</i>	<i>2.7</i>	<i>16.8</i>	<i>20.4</i>
<i>Other specific sources</i>				
9	0.9	1.8	2.7	5.3
10	0.0	0.9	0.9	1.8
11	1.8	7.1	5.3	14.2
12	2.7	3.5	3.5	9.7
13	0.0	0.9	0.0	0.9
14	0.9	4.4	2.7	8.0
15	0.0	0.9	0.0	0.9
16	0.9	0.9	0.0	1.8
17	3.5	2.7	4.4	10.6
18	0.0	0.9	0.0	0.9
19	0.0	2.7	5.3	8.0
20	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>	<u>2.7</u>
	<i>11.5</i>	<i>27.4</i>	<i>25.7</i>	<i>64.6</i>
<i>Non-specific sources</i>				
<b>Grand total</b>	<b>12.4</b>	<b>41.6</b>	<b>46.0</b>	<b>100.0</b>

Source: CC analysis of survey data.

Note: Figures do not sum to 100 per cent due to rounding.

## **Ticketmaster's analysis of the origin of its Internet traffic**

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*Source:* Ticketmaster.

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**Extract of the summary from Chapter 4 of the OFT's  
2005 ticket agents market study**

- 4.1 In examining consumers' concerns that ticket agents charge high fee levels, we considered whether there is a distortion of competition between agents which could be resulting in higher fees. In this context, one particular feature of ticket distribution for events that we looked at closely is the existence of vertical agreements between various parties in the distribution chain. In particular we looked at vertical agreements between individual event promoters or venues and larger ticket agents that grant preferential contractual rights to certain agents to access for sale a proportion of tickets allocated to ticket agents by the promoters or venues.
- 4.2 Our assessment is that, on balance, these arrangements in practice do not act to the detriment of consumers by leading to higher prices, but, instead, enable lower costs to be passed on in lower prices. Competition between ticket agents mainly takes place in the form of rivalry for these preferential contractual rights.
- 4.3 We have found no evidence that even the largest of these agreements, between Clear Channel and Ticketmaster has affected the intensity of this competition.

## Live music promotion

### Introduction

1. This appendix describes the supply of live music promotion in the UK and, in particular, considers Live Nation's promotional activities. We discuss the relevant market(s) for live music promotion and present various estimates of market shares. We also discuss potential barriers to entry, and the bargaining power of promoters compared with other parties in the supply chain, before concluding on whether Live Nation has market power in any market for live music promotion.

### Market definition

#### *Product market*

2. We considered whether the supply of live music promotion was a separate product market. We considered whether the market was narrower than all live music events, segmented by the size of event promoted, or between concerts and festivals. We also considered whether the market was wider than all live music events.
3. Live Nation told us that there were no narrower segments of live music promotion where its position was particularly strong. Live Nation said that all the largest live music promoters in the UK could offer the full range of promotion services required by agents of rock and pop artists and, therefore, they were substitutable.
4. We noted that some smaller promoters focused on promoting small events. AEG Live told us that there were a limited number of live music promoters in the UK who would be able to promote an event with a capacity over 2,000. AEG Live also told us that it focused on promoting larger events. However, Live Nation and Metropolis both told us that, although they promoted many large events in stadiums, arenas and concert halls, they also promoted many small events, often for new artists, in clubs and pubs. We noted that, between 2006 and 2008, Live Nation promoted 234 tours which each sold not more than 200 tickets.
5. An artists' agent told us that large events required a lot of expertise and cash reserves and there were only three promoters other than Live Nation which could promote such events: SJM, Metropolis and AEG Live. However, the agent added that there were many small promoters which might initially promote only small events but, if the artists with whom they worked became successful, would move up to promote large events.
6. Although there might be an asymmetry, with small promoters generally promoting just small events and large promoters promoting both small and large events, we found that, even if the relevant market were to include only the four largest promoters who promoted most of the large events, the market share of Live Nation would be very similar to its share of the market for all live music promotion. Therefore, we found that there was no clear basis for delineating the market on the basis of the size of event.
7. Live Nation told us that the promotion of live music festivals was not a separate economic market. We noted that most large live music promoters promoted or co-promoted festivals and all the large live music festivals were promoted by a promoter

of other live music events. We concluded that, for the purposes of our inquiry, the promotion of live music festivals was part of the market for live music promotion.

8. The evidence we received did not suggest that the market should be wider than the promotion of rock and pop live music events. Live Nation told us that the disciplines and skill sets required to promote different types of events were similar, though some other rock and pop live music promoters told us that the expertise required was different. We found that there was very little overlap between the providers of rock and pop live music promotion and the providers of theatre or classical music promotion.<sup>1</sup> Therefore, we concluded that the relevant market was not wider than the promotion of rock and pop live music events (hereafter referred to as live music promotion).

### ***Geographic market***

9. Live Nation told us that all the large live music promoters in the UK were capable of promoting UK-wide tours. Live Nation also told us that it did not vary its marketing strategy or its pricing strategy by region. Live Nation noted that prices were generally similar for similar events around the UK, with the only exception being events in some parts of London, where artists occasionally demanded ticket prices up to 10 per cent higher than elsewhere.
10. AEG Live and Kilimanjaro both told us that they did not specialize in any particular geographic region and would promote events throughout the UK.
11. Regular Music and Metropolis both told us that there were separate promoters in Scotland and Northern Ireland, which did not operate in England and Wales, and vice versa. Regular Music told us that it promoted only in Scotland and, due to the need for local knowledge and local relationships, very few English promoters promoted in Scotland. Metropolis told us that it promoted in Scotland very rarely, and that there were separate Scottish promoters with which it would partner for a UK-wide tour. Metropolis added that it tended to focus on tours in the South of England, while SJM focused on tours in the North of England, though both were able to promote tours throughout England and Wales.
12. Regular Music and Metropolis both told us that it was rare to see a European or US-based promoter (without a UK operating division) promoting in the UK and they both said that they did not promote outside of the UK.
13. We noted that small promoters also tended to focus on promoting events in a particular geographic area.
14. We noted that, in the Hamsard/Academy inquiry, the CC concluded that the relevant geographic market for live music promotion was no wider than the UK.<sup>2</sup>
15. We concluded that, since UK promoters did not promote outside of the UK, and non-UK-based promoters did not tend to promote in the UK, the market for live music promotion was not wider than the UK. We found that, for some types of events, the relevant geographic market might be smaller, but we found no evidence to suggest that Live Nation's position in any smaller market was significantly stronger than in the UK as a whole, and hence we did not believe that defining smaller markets would affect significantly our analysis of the competitive effects of the merger.

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<sup>1</sup>For example, Live Nation, Metropolis and AEG Live told us that they did not promote theatre or classical music events.

<sup>2</sup>[www.competition-commission.org.uk/rep\\_pub/reports/2007/522hamsard.htm](http://www.competition-commission.org.uk/rep_pub/reports/2007/522hamsard.htm) (see paragraph 4.31).

## Summary of conclusions on market definition

16. We concluded that the relevant product market was live music promotion (rock and pop), including large and small events and festivals (see paragraphs 6 and 7).
17. We concluded that the relevant geographic market was not wider than the UK (see paragraph 15).

## Market shares

### Live Nation's estimates of its market share

18. Live Nation submitted that its share of the market for live music promotion in the UK was no more than 20 per cent. Live Nation added that its share of this market had decreased over the last two years, as part of a deliberate strategy to be more selective about the tours it promoted, given the low profitability of this business. Live Nation submitted data showing that the number of tours and events which it promoted was lower in 2008 than 2007, although its revenue from live music ticket sales did not decline.
19. Live Nation estimated the market shares of each of the largest UK live music promoters on the basis of concerts and festivals with a capacity of at least 1,000, as advertised on the websites of the principal ticket agents in March 2009. Live Nation recognized that this calculation did not include events with a capacity of below 1,000 but, because Live Nation focused on large events, it submitted that the market share of Live Nation resulting from this calculation would represent a maximum bound. Live Nation told us that, since January and February tended to be quiet months for UK live music events, and since many events were advertised well in advance, its estimate was based on around 85 per cent of all the UK events with a capacity over 1,000 in 2009, and provided a reasonable proxy for the whole year. Table 1 presents Live Nation's results.

TABLE 1 Live Nation's estimates of the market shares of UK live music promoters by audience size, 2009

Promoter	Market share %
SJM	26
Live Nation	20
AEG	17
Metropolis	14
3A	6
Marshall Arts	4
Aiken Promotions	3
Kennedy Street	2
Kilimanjaro	2
CMP	2
Flying Music	2
Mean Fiddler	1
Straight	1
<b>Total</b>	<b>100</b>

Source: Live Nation.

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#### Notes:

1. AEG owns 49 per cent of Marshall Arts.
2. Kilimanjaro is a joint venture in which AEG owns 50 per cent.

20. Live Nation also estimated its market share on the basis of the number of events ticketed by See Tickets at venues with a capacity of more than 1,000 between May and December 2008. Live Nation found that it promoted 13 per cent and co-promoted 0.7 per cent of these events. Live Nation submitted that 14 per cent was a reason-



able proxy for Live Nation's overall market share, since See Tickets sold tickets for almost all Live Nation's live music events.

21. Live Nation noted that a Mintel report in 2008 on UK Music Concerts and Festivals<sup>3</sup> estimated that the total number of attendances at rock or pop live music events in the UK in 2007 was [X] (including events with a capacity of less than 1,000). This estimate of the overall market size was significantly higher than the total used by Live Nation in its calculations to derive the market share estimates presented in Table 1. Live Nation submitted that, if it used Mintel's estimate of the market size, Live Nation's market share would be no more than 12 per cent.
22. However, we noted that Mintel's estimate was based on customer surveys rather than direct data from ticket sales. Ticketmaster told us that, on a conservative basis, it estimated that the total number of tickets sold for live music events in the UK in 2008 was at least 17 million (including all genres of music, though rock and pop was by far the most significant), and could be much higher.<sup>4</sup> This estimate excluded ticket sales which did not pass through a primary ticket agent, for example, tickets sold by venues which self-ticketed, all venue box office sales, and primary ticket sales made by secondary agents. As a result, we calculated our own estimate of the number of live music tickets sold in 2008. This analysis is contained in Appendix E (Table 4), and shows that, excluding in-person box office sales, we estimated that there were 19.5 million live music tickets sold in 2008. If we assume that in-person box office sales represent 5 per cent of total sales (as suggested by the consumer survey),<sup>5</sup> the total number of live music tickets sold in 2008 would have been 20.5 million.

### ***Our estimates of Live Nation's market share***

23. We attempted to estimate Live Nation's market share based on ticket sales data from Live Nation and other promoters, and our estimate of the market size (see paragraph 22). Where we did not receive ticket sales data from a promoter, we used Live Nation's estimate of the promoter's market share and calculated its proportion of the 20.5 million tickets in the market. Table 2 shows our results.

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<sup>3</sup>Music Concerts and Festivals—UK, Leisure Intelligence, Mintel, 2008.

<sup>4</sup>Ticketmaster told us that this estimate excluded sales by primary ticket agents for which it did not have reliable estimates.

<sup>5</sup>GfK NOP survey report, paragraph 7.

TABLE 2 Estimates of UK live music promoters' shares of number of tickets sold, 2008

Promoter	Number of tickets sold, 2008	% of tickets sold, 2008
SJM	[X]	[X]
Live Nation	[X]	[X]
Metropolis Music	[X]	[X]
3A	[X]	[X]
AEG	[X]	[X]
Marshall Arts	[X]	[X]
Aiken Promotions	[X]	[X]
Kennedy Street	[X]	[X]
CMP	[X]	[X]
Flying Music	[X]	[X]
Kilimanjaro	[X]	[X]
Regular Music	[X]	[X]
DHP	[X]	[X]
Mean Fiddler	[X]	[X]
Straight	[X]	[X]
Total		72

Source: CC analysis of the parties and third-party data.

Notes:

1. Live Nation, Metropolis Music, AEG, Kilimanjaro, Aiken Promotions, Marshall Arts, Regular Music and DHP supplied us with estimates of the number of tickets sold; we did not receive an estimate from all other promoters.
2. Metropolis estimated its number of tickets sold using an average ticket price of £20.

24. We found that the cumulative market share of the promoters listed in Table 2 was only 72 per cent, which could be due to:

- (a) a number of small promoters for which we did not have ticket sales data; and/or
- (b) a possible underestimation of the market share of some promoters.

25. Although we recognized that the market shares of some promoters might be inaccurate, due to not being able to obtain ticket sales data, we believed that our estimate of Live Nation's market share was robust, as it was based on Live Nation's actual ticket sales and a separate estimate of the total number of ticket sales in the market (from Ticketmaster). This evidence suggested that Live Nation's share of the market for live music promotion in the UK in 2008 (according to the number of tickets sold) was not more than [X] per cent.

26. We also estimated Live Nation's market share by ticket revenue, using data from PRS for Music.<sup>6</sup> We found that total UK live music face-value ticket sales were £776 million in 2008, suggesting that Live Nation's share of the market for live music promotion in the UK in 2008 (according to ticket revenues) was approximately [X] per cent. This result was broadly similar to our other estimate of Live Nation's market share (see paragraph 25), but suggested that Live Nation's promotions business may include a higher proportion of expensive events than average.

### Festivals

27. Although we decided that, for the purposes of our inquiry, the promotion of live music festivals could be considered within the market for live music promotion (see paragraph 7), we considered whether Live Nation had a stronger position in this segment of the market than in the market generally.

<sup>6</sup>For most live music events, 3 per cent of ticket revenues (not including booking fees or transaction charges) are paid to PRS for Music.

28. Live Nation told us that in 2008 there were 160 live music (rock and pop) festivals in the UK. Live Nation promoted three of these festivals (2 per cent) and Live Nation-Gaiety promoted a further six of these festivals (4 per cent). On the basis of this evidence, Live Nation submitted that it promoted a maximum of 6 per cent of all UK live music festivals in the UK in 2008. Live Nation recognized that this estimate did not reflect the size of the festivals promoted by Live Nation and, as its festivals were larger than the average festival size, Live Nation would be responsible for a higher proportion of the tickets for live music festivals in the UK.
29. In order to calculate a more accurate estimate of Live Nation's share of the UK festival audience, Live Nation provided us with information on the capacity and the duration of each live music festival. Live Nation used this data to calculate total 'capacity days' for each festival (ie the capacity per day for a festival multiplied by the number of days for which the festival took place). For 45 festivals (not promoted by Live Nation), Live Nation was unable to provide data on the capacity or duration, so Live Nation's estimate of its share of festival audiences using this data represented a maximum bound. Live Nation estimated that the audience at its festivals in 2008 represented 9 per cent of the total festival audience and the audience at Live Nation-Gaiety's festivals represented 18 per cent. Live Nation concluded that it and Live Nation-Gaiety together had a share of up to 27 per cent of audiences for UK live music festivals. We reviewed this analysis and believed that it provided a reasonable estimate of Live Nation's maximum share of supply in the promotion of live music festivals. We found that no other promoter had a comparable share of festival audiences. However, we also noted that Live Nation owned only half of Live Nation-Gaiety and did not have control over this business (see Appendix D).

### ***Summary of conclusions on market shares***

30. Using both ticket sales data and ticket revenue data, we concluded that Live Nation's share of the market for live music promotion in the UK in 2008 was not more than [redacted] per cent. We concluded that Live Nation had a stronger position in the promotion of live music festivals, but that this was mainly due to its co-ownership of Live Nation-Gaiety.

### **Barriers to entry and expansion**

31. Barriers to entry and expansion are features of the market that may prevent or restrict entrants and smaller incumbent firms from exploiting profitable opportunities, and hence enable existing suppliers to raise prices above costs persistently without significant loss of market share.<sup>7</sup>

### ***Live Nation's views***

32. Live Nation told us that the key requirements for being a successful live music promoter were being able to:
- (a) develop relationships with agents (and artists);
  - (b) organize tours; and

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<sup>7</sup>Market Investigation References: Competition Commission Guidelines, June 2003, CC3, [paragraph 3.22](#).

- (c) estimate accurately the ticket price and type of venue that will maximize ticket sales, while minimizing the risk of a significant loss from tickets for the event being unsold.

Live Nation told us that the facilities and assets required to be a live music promoter were negligible and, therefore, the barriers to entry were low.

33. Live Nation suggested that new entry could take the form of:
  - (a) a new promoter beginning with unknown artists and building a business as the artists become more successful (many of the most successful promoters built their businesses in this way);
  - (b) an established promoter setting up independently (eg Kilimanjaro was set up by the former CEO of Live Nation); or
  - (c) a well-resourced firm entering the UK market (eg AEG Live entered the UK market in 2005 using its finances and relationships in the USA).
34. Live Nation said that artists' agents tended to build up long-term relationships with promoters, and many artists and their agents had a strong preference for their existing promoter. Nevertheless, Live Nation added that winning the right to promote an individual tour was always subject to the competitiveness of the offer, however long an artist and promoter had been working together.
35. Live Nation told us that an artist's agent would evaluate the bid received from a promoter, while also considering the promoter's track record for similar events and financial viability. Live Nation said that promotion was a high-risk business, so promoters needed access to substantial funding (Live Nation estimated that only 53 per cent of the events it promoted in 2008 generated a profit).
36. Live Nation told us that it used its database of customer information, which comprised customers' names, addresses, email addresses, telephone numbers, preferred music genres and preferred geographic area, to inform its marketing of events.
37. Live Nation suggested that record companies might be the most likely new entrants to the market for live music promotion, as they had access to the necessary funding and established relationships with artists. Live Nation noted that Universal had bought a share in the Nolans tour and the festival 'All the World's a Stage', and that Universal and Sony were both looking to book their artists into their own festivals. Live Nation also submitted that the large agencies representing artists had the expertise, funding and relationships to become live music promoters.

#### *Examples of entry or expansion*

38. Live Nation provided several examples of successful recent entry into the UK market for live music promotion, including:
  - (a) Kilimanjaro in 2008 (co-owned by AEG Live);
  - (b) 3A in 2003 (formed by individuals formerly employed by Harvey Goldsmith);
  - (c) AEG Live in 2005; and
  - (d) Vince Power Promotions, which returned to the market in 2008.

39. Live Nation also noted that, in recent years, both SJM and Metropolis had expanded significantly. Live Nation said that there were a large number of small promoters, which were established in the market with good contacts and relationships, and which were set to grow to compete more directly with the larger promoters in the future.

### ***Other promoters' views***

#### *Incumbent relationships*

40. Metropolis and Regular Music both told us that artists and their agents did not change their promoters very often as, once a successful relationship had been established, there was no reason to do so. Regular Music said that it would not bid to promote an artist which it knew was usually promoted by another promoter, and Metropolis said that, if it was approached by an agent representing an established artist, it would want to know why the agent was not using its usual promoter. However, both Metropolis and Regular Music told us that competition for new artists could be intense, as promoters sought to win the artist's first tour in the hope of establishing a relationship for the long term. An artists' agent confirmed this view, but added that continuing the relationship was conditional on each bid provided by the incumbent promoter being credible.
41. Alternatively, Kilimanjaro told us that, though the market used to operate with long-standing loyal relationships, artists and their agents were now looking for as much revenue as possible from a tour, which had caused bidding wars between promoters to occur much more often. AEG Live also told us that, for around 90 per cent of new contracts between agents and promoters, a bidding process between promoters would take place.
42. Nevertheless, we noted that most promoters appeared to engage in the promotion of unknown artists with the intention of building a relationship which would become increasingly profitable as the artist became successful, which suggested that promoters believed there to be some 'stickiness' among artists and their agents in their choice of promoter. We also noted that, when the former CEO of Live Nation established Kilimanjaro, he was able to retain several of the artists which he promoted while at Live Nation, suggesting that the important relationship was with an individual rather than with a company.
43. We found that the existence of long-term relationships between artists and their promoters was a factor which could affect entry and expansion. However, we recognized that this barrier would not prevent new promoters in the UK market (see paragraph 33(a) and (c)) from slowly building up a new business and that it would not restrict established individual promoters breaking away from existing firms (see paragraph 33(b)).

#### *Cash flow requirements and start-up investment*

44. Metropolis, Regular Music and an artists' agent all told us that entry as a live music promoter was difficult because of the significant cash flow that was required to pay deposits to artists and venues in advance of any ticket receipts. Metropolis added that new promoters could find it harder than established promoters, as ticket agents might not advance ticket receipts to a promoter with unknown credit status and venues might ask for a greater deposit due to the uncertainty about the promoter's ability to deliver the event. Regular Music added that cash flow was also required to finance losses on new artists.

45. Metropolis also noted that established promoters often used large events for successful artists to subsidize small loss-making events for new artists, which were necessary to build relationships with the successful artists of the future. Metropolis told us that a new promoter would need significant cash reserves to fund this period of investment.
46. We found that the need for significant cash reserves and a possibly lengthy loss-making start-up period were factors which could affect entry. However, we recognized that a new promoter (see paragraph 33(a)) could begin with small events and new artists, and could seek to retain its relationships with these artists as they became more successful. We also found that these factors would not affect to the same extent the entry of established individual promoters breaking away from existing firms, so long as they were able to retain their relationships with artists, or established promoters which were seeking to enter the UK market from abroad (see paragraph 33(b) and (c)).

#### *Local knowledge and access to live music customers*

47. Regular Music told us that other barriers to entry were the local knowledge required to promote an event and access to previous live music customers. Regular Music said that new promoters would not have access to data on previous customers, which was important in order to be able to market events successfully.
48. We noted that new entry in any market requires an understanding about the market and the need to build relationships with relevant partners. We also noted that, by using established ticket agents, which had access to the historic purchasing behaviour of their customers, new entrants could gain access to many live music customers.

#### *Attractiveness of the business*

49. Metropolis, Regular Music and Kilimanjaro all told us that the business of live music promotion involved high risks and achieved low margins. Kilimanjaro said that it was rare for a promoter to achieve an operating margin of more than 5 per cent.
50. We noted that, in a competitive market, expected net margins might be no more than the risk-adjusted cost of capital and that this expected level of return might make entry unattractive compared with other investment opportunities. However, we did not believe that the level of available return would represent a barrier to entry for our purposes.

#### *Summary of other promoters' views*

51. Regular Music said that entry by an individual promoter who was previously employed by another promoting company (see paragraph 33(b)) was possible but rare. Metropolis and Regular Music both told us that, if significant entry were to occur, it was likely to be by an existing non-UK promoter, with the resources to overcome the financial barrier. Regular Music added that this form of entry would still be very difficult, given the existing relationships between artists' agents and incumbent UK promoters.
52. Metropolis also told us that artists' agents could enter the market for live music promotion and noted that some agents already did some of their own promotion (eg ITB, Solo and Asgard). However, Regular Music thought it unlikely that artists' agents could enter the promotions business successfully, as they would lack the necessary

local knowledge and contacts, and they would need to finance losses on new artists. Moreover, Regular Music added that there would be a conflict between their interests as artists' agents and as promoters. One agent told us that it had no intention of entering the promotions market since the margins in its existing business were much higher than in live music promotion.

### ***Summary of conclusions on barriers to entry and expansion***

53. We found that the presence of established incumbent relationships and the need for significant cash reserves in order to finance events and build relationships with a portfolio of artists inhibited, to some extent, the entry and expansion of new live music promoters. However, we found that these requirements for entry were not insurmountable. We noted that recent new entry had occurred, in particular by promoters leaving existing firms of promoters to start their own businesses (and taking some of their relationships with artists with them) and by non-UK promoters entering the UK.

### **Bargaining power of promoters versus other parties**

#### ***Artists' agents***

54. Live Nation told us that artists' agents had significant bargaining power against promoters because, ultimately, without the artist there was no event.
55. Live Nation told us that it did not have any long-term contracts or agreements with artists' agents and each tour was agreed separately. Live Nation said that artists and their agents scrutinized every aspect of Live Nation's bids, using their extensive knowledge about costs, and always sought to extract the best possible deal. Live Nation said that, although there were long-term relationships between promoters and artists, promoters knew that artists could always switch to another promoter, particularly when the artist had become successful. Live Nation gave us examples of when an artist had switched, usually on the basis of price. Live Nation told us that the price it quoted to artists' agents did not vary depending on whether there was a formal bidding process, as agents knew if a bid was efficiently priced and if it provided the artist with an optimal return.
56. Metropolis and an artists' agent confirmed that established artist agencies had an excellent knowledge of costs (eg venue costs and marketing costs), through receiving many bids for past tours. They agreed that this knowledge limited a promoter's ability to retain a high margin from an event.
57. Live Nation submitted that the increasing value of guaranteed fees paid to artists prior to an event was evidence of the artists' bargaining power. Live Nation said that guarantees were now typically 90 to 95 per cent of sell-out revenues less costs (regardless of whether the event actually sold out). Live Nation added that, in about 20 per cent of the events it promoted, its revenue from ticket rebates was also now included in the calculation of the artist's guaranteed fee.
58. Metropolis told us that guarantees were usually 85 per cent of sell-out revenues less costs, or more for popular artists. Metropolis confirmed that this percentage had been increasing over recent years.
59. Live Nation also told us that artists' agents had a significant influence over many aspects of an event, including the ticket price, and agents often changed the fee structure or other contractual terms in favour of the artist prior to an event. Live

Nation added that some agents were now demanding allocations of tickets, which allowed them to retain the booking fee and the customer data, and reduced the number of tickets controlled by the promoter, so reducing the promoter's revenue from ticket rebates.

60. An artists' agent confirmed that artists and their agents were involved in determining many aspects of a live music event, including the face-value ticket price. The agent confirmed that artists' agents possessed significant bargaining power and were able to dictate most of the important terms in their negotiations with promoters.

### **Venues**

61. We describe the market for live music venues, and the market power of some venues, in more detail in Appendix G.
62. Live Nation told us that venues generally charged a standard rate, which was publicly known, though there could be some discount if multiple nights were booked for the same artist. Live Nation said that it could easily switch between venues.
63. An artists' agent told us that there was some scope for negotiation with venues but, having seen the final prices charged by venues for many previous events, it was able to assess whether a promoter was obtaining a good deal. The agent said that artists' agents often suggested to a promoter which venues to approach.
64. Live Nation, Metropolis and Regular Music all told us that a venue's allocation of tickets was typically between 50 and 75 per cent of the total capacity, but the percentage was set by the venue and was not usually negotiable. However, they all said that, in most cases, if a venue was failing to sell its tickets, the promoter would reallocate them to ticket agents which were able to sell them more successfully.
65. Metropolis and an artists' agent both told us that there were some venues in which artists wanted particularly to play, for example the O2 Arena in London and the Manchester Apollo, either because of the financial returns which these venues offered or because of the prestige of these venues. We noted that these venues retained a higher proportion of the ticket allocation than average, which could indicate some degree of bargaining power against promoters.

### ***Summary of conclusions on the bargaining power of promoters***

66. We concluded that artists and their agents possessed a significant degree of bargaining power in their negotiations with promoters, which constrained promoters' activities and their profitability. We concluded that venues did not have much bargaining power with promoters, except for some high-profile venues, which might have some bargaining power.

### **Market power of Live Nation as a promoter**

#### ***Relationships with artists' agents***

67. Live Nation submitted that it did not have power in the UK market for live music promotion as it competed with several large and well-established rival promoters and many small promoters, and was also constrained significantly by the bargaining power of artists' agents.



68. Live Nation submitted examples of artists, whom it had promoted or co-promoted previously, who had recently switched to rival promoters, including Kilimanjaro, AEG Live, Marshall Arts and SJM. Live Nation told us that, in each case, Live Nation was either out-bid by another promoter or the artist's agent did not accept Live Nation's bid and decided to go elsewhere.
69. We noted that the presence of incumbent relationships and, at least in some circumstances, the lack of an active bidding process for a new tour, did not signal a lack of competition between promoters, as artists' agents held significant bargaining power relative to promoters, they were usually aware of promoters' costs and they had the credible threat of switching.

### ***Relationships with ticket agents***

70. We recognized that, if Live Nation did have market power as a promoter, it was likely to affect the terms it achieved with ticket agents. Therefore, we compared the booking fee rebate that Live Nation received from its largest ticket agent, Ticketmaster, with the rebate received by other promoters from Ticketmaster.
71. Ticketmaster provided information showing the rebates it paid to its top 10 clients in 2008. This information showed that the net rebate received by Live Nation from Ticketmaster was [redacted] per cent, while AEG Live received [redacted] per cent, SJM received [redacted] per cent, and Metropolis and Regular Music both received [redacted] per cent (see Table 8 in Appendix E).
72. We concluded that there was no evidence from the booking fee rebate paid by Ticketmaster to Live Nation, compared with the rebate it paid to other promoters, that Live Nation had market power.

### ***Relationships with venue owners/operators***

73. Kilimanjaro submitted that Live Nation's position as a venue owner/operator (including its stake in AMG) gave Live Nation power in the market for live music promotion. Kilimanjaro said that Live Nation was able to secure preferential access to its venues and paid lower charges in these venues than other promoters, which gave it a competitive advantage over other promoters.
74. We noted that the ability of Live Nation to use any power it had in the market for live music venues to advantage its position in the market for live music promotion did not change as a result of the merger. Nevertheless, we discuss Live Nation's position in the market for live music venues in Appendix G.

### ***Summary of conclusions on Live Nation's market power as a promoter***

75. We concluded that, owing to the presence of other large and well-established promoters, and many small promoters, and the significant bargaining power held by artists and their agents, Live Nation did not appear to have power in the UK market for live music promotion.

## Live music venues

### Introduction

1. This appendix describes Live Nation's ownership and management of live music venues. We present an estimate of the share of UK supply for the venues in which Live Nation has an ownership or managerial interest and consider the local competitors to Live Nation's wholly-owned or managed venues. We also consider the use of Live Nation's venues and discuss potential barriers to entry.
2. Because we found that the merged entity would not have the ability to foreclose rival ticket agents even if it had market power as the owner and manager of live music venues (see paragraphs 7.105 to 7.114 of the main report), we did not need to define the relevant market for the supply of live music venues or assess the extent of Live Nation's market power.

### Live Nation's ownership and managerial interests in live music venues

3. Live Nation owns two live music venues: the Manchester Apollo and Cardiff International Arena. Live Nation also has an exclusive contract to manage Southampton Guildhall<sup>1</sup> and a non-controlling management interest in the Sheffield Arena.
4. Live Nation-Gaiety owns 56 per cent of AMG, which owns 12 live music venues, and manages Wembley Arena.<sup>2</sup>
5. Table 1 presents the capacity of all the venues in which Live Nation has an ownership or managerial interest (hereafter referred to as Live Nation venues).

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<sup>1</sup>Contract expires 10 February 2013.

<sup>2</sup>Contract expires April 2021.

TABLE 1 Capacity of Live Nation venues

	<i>Capacity</i>
Cardiff International Arena	7,500
Manchester Apollo	3,500
Southampton Guildhall	1,749
Sheffield Arena (SIV)	11,250
Wembley Arena	12,750
O2 Oxford Academy	1,020
Liverpool Academy	1,200
London Shepherds Bush Empire	2,000
O2 Birmingham Academy	3,000
O2 Bristol Academy	1,600
O2 Brixton Academy	4,921
O2 Glasgow Academy	2,500
O2 Islington Academy	800
O2 Leeds Academy	2,724
O2 Newcastle Academy	2,000
O2 Sheffield Academy	2,350
Bournemouth Opera House	1,800

Source: Live Nation.

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Note: AMG acquired Bournemouth Opera House in July 2009 and intends to rename it the O2 Academy Bournemouth.

### Live Nation venues' share of UK supply

6. We estimated that the Live Nation venues (excluding Sheffield Arena, where Live Nation sets the rate card but does not receive a ticket allocation) accounted for about [X] per cent of all UK live music tickets sold in 2008.<sup>3</sup>
7. We also considered how important Live Nation venues were to Live Nation as a promoter, as shown in Table 2.

TABLE 2 Proportion of tickets for Live Nation live music events using Live Nation venues

	<i>per cent</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
Cardiff International Arena	3	3	4
Manchester Apollo	1	1	1
Southampton Guildhall	0	0	1
Sheffield Arena	3	3	3
Wembley Arena	7	16	5
AMG venues	<u>4</u>	<u>7</u>	<u>9</u>
Total	18	30	22

Source: Live Nation.

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Note: Figures do not sum due to rounding.

8. Table 2 shows that, in 2006 and 2008, the Live Nation venues (including the Sheffield Arena) accounted for about 20 per cent of all tickets sold for Live Nation promoted events; though, in 2007, this proportion was 30 per cent (principally due to a higher number of events at Wembley Arena). If the Sheffield Arena, where Live Nation did not receive a ticket allocation, were excluded, the percentage for 2008 would fall to about 19 per cent. We noted that this percentage was not dissimilar to the Live Nation venues' share of all ticket sales in 2008 (see paragraph 6). Therefore,

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<sup>3</sup>This figure excludes tickets sold at the London Astoria, which is now closed.

we concluded that Live Nation’s use of its venues as a promoter was not dissimilar to that of other promoters.

## Local competition

9. Metropolis told us that, when organizing a tour, it was important to choose locations which provided access to sufficient potential consumers, recognizing that people might be willing to travel further for large events. We concluded that, in most cases, competition between venues was likely to operate on a local or regional level.
10. Table 3 presents the principal local competitors to Live Nation’s wholly-owned and managed venues (including Wembley Arena, which is managed by Live Nation-Gaiety).

TABLE 3 Competitors to Live Nation venues

<i>Live Nation venue</i>	<i>Capacity</i>	<i>Use</i>	<i>Competing venue (owner)</i>	<i>Capacity</i>	<i>Use</i>
Cardiff International Arena	7,500	Multi-purpose	Millennium Centre (charity)	1,900	Theatre, live music
			Cardiff University	1,500	Live music
			Millennium Stadium (Welsh rugby)	74,500	Multi-purpose
			Bristol Academy (AMG)	1,600	Live music
Southampton Guildhall	1,749	Multi-purpose	Turner Sims Concert Hall (Southampton University)	450	Classical music
			Southampton Rose Bowl (Hampshire Cricket PLC)	10,000	Cricket, concerts
Manchester Apollo	3,500	Live music, comedy	Manchester MEN (SMG)	21,000	Multi-purpose
			Manchester Bridgewater Hall (Hallogen and SMG)	2,400	Classical music
			Manchester central (council and SMG)	10,000	Multi-purpose
			Liverpool Echo Arena	11,000	Multi-purpose
Wembley Arena	12,750	Multi-purpose	London O2 Arena (AEG)	20,000	Multi-purpose
			Hammersmith Apollo (MAMA)	5,039	Multi-purpose
			Alexandra Palace (council)	12,000	Multi-purpose
			Brixton Academy (AMG)	4,921	Live Music
			Earls Court (EC&O)	20,000	Multi-purpose
Sheffield Arena	11,250	Multi-purpose	Don Valley Stadium (SIV)	25,000	Multi-purpose
			Sheffield City Hall (SIV)	2,000	Live music
			Sheffield Academy (AMG)	2,350	Live music

Source: CC analysis.

11. We found that, for each of Live Nation’s wholly-owned or managed venues, there were other venues in the same local area. However, in most cases, we noted that there were significant differences between the Live Nation venue and the competing venue, either in terms of the capacity, its suitability for indoor rock and pop live music events, or its location. We found that the only Live Nation wholly-owned or managed venue which appeared to have a similar local substitute was Wembley Arena, where the O2 Arena was a close competitor.

12. However, we also noted that an artist did not have to tour in all the cities in which Live Nation had a wholly-owned or managed venue (with the possible exceptions of London and Manchester).

### **Use of Live Nation's wholly-owned and managed venues**

13. Some promoters told us that Live Nation's position as a venue owner and manager gave it power in the market for live music promotion. Kilimanjaro said that Live Nation was able to secure preferential access to its venues and paid lower charges in these venues than other promoters.
14. Live Nation told us that, given the high fixed costs of operating a venue, it needed to fill each of its venues and, therefore, it did not give preferential access or terms to its own promotions business.
15. Live Nation told us that it set its charges according to a rate card, which was known by all promoters. The rate card included:
- (a) the venue rental fee (for some venues this fee was a percentage of ticket receipts, subject to a minimum);
  - (b) a visual and audio recording fee (if the promoter wished to record the event); and
  - (c) a merchandise commission (typically 25 per cent of the revenues from brochures and merchandise sold by the venue).
16. Table 4 shows, for each of Live Nation's wholly-owned or managed venues (including Wembley Arena), the proportion of live music events at the venue in 2008 which were promoted by Live Nation.

TABLE 4 **Proportion of Live Nation events at Live Nation's wholly-owned and managed venues**

	%
Cardiff International Arena	21
Southampton Guildhall	7
Manchester Apollo	18
Wembley Arena	16
Sheffield Arena (SIV)	19

Source: Live Nation.

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17. Table 4 shows that events promoted by Live Nation represented a small proportion of the total number of live music events at each venue, demonstrating the need for each venue to attract events from other promoters.

### **Entry**

#### ***Examples of recent new entry and exit***

18. The following venues have opened/reopened recently:
- (a) the O2 Arena, with a capacity of 20,000, and Indigo2, with a capacity of 2,000, opened in Greenwich in 2007 and are owned by AEG;
  - (b) Liverpool Echo Arena, with a capacity of 11,000, opened in 2008, having cost £146 million to build;

- (c) Leeds Arena, with a capacity of 12,500, is due to open in 2012, with a projected cost of £80 million (SMG has won the contract to manage this venue);
  - (d) Wembley Arena in London, with a capacity of 12,750, reopened in 2006 after a refurbishment;
  - (e) The Roundhouse in London, with a capacity of 3,300 standing or 1,700 seated, reopened in 2006 after a £30 million refurbishment; and
  - (f) The Royal Festival Hall in London, with a capacity of 2,500, reopened in 2007 after a refurbishment.
19. Two large London venues have closed recently (the London Astoria and Astoria 2, with capacities of 2,000 and 1,000 respectively) due to compulsory purchase orders as a result of the Crossrail project.

### ***Costs of entry***

20. We found that the principal cost of becoming a supplier of a live music venue was the cost of converting a building. A couple of venue operators told us that buildings such as theatres, cinemas, concert halls and ballrooms could all be converted into live music venues but Live Nation told us that the cost of developing a venue the size of the Hammersmith Apollo or Brixton Academy would be between £1 million and £5 million. We found that the cost varied significantly depending on the building, noting, for example, that the conversion of the Roundhouse took two years and cost £30 million (see paragraph 18).
21. We also noted that a new venue might face higher costs than existing venues in order to develop relationships with promoters. For example, a new venue was likely to have to pay for marketing costs, which an established venue would not.
22. We found that it could take many months for a new venue to become EBITDA-profitable and, due to the depreciation of building costs, many years to become EBIT-profitable.

### ***Timescale of entry***

23. We found that it took time to find an appropriate building and to gain the right to convert it for live music use. Public transport links and the presence of neighbouring residential areas meant that appropriate sites were difficult to find, and obtaining planning permission and operating licences took considerable further time. We concluded that the time required to achieve new entry was at least two years.

### ***Conclusion on entry***

24. We concluded that becoming the supplier of a large live music venue required substantial financial investment and took some time to achieve. Nevertheless, we noted that there were several recent examples of such entry, showing that these barriers were not insurmountable.

## Glossary

<b>3A</b>	3A Entertainment Ltd. A UK-based live music promotion company.
<b>AEG</b>	Anschutz Entertainment Group. A US-based owner and operator of sports and entertainment <b>venues</b> and of sports teams in the USA and Europe.
<b>AEG Live</b>	AEG Live (UK) Limited. A subsidiary of <b>AEG</b> which operates the group's event promotions business in the UK.
<b>AMG</b>	Academy Music Group Limited. A UK owner and operator of live music venues, co-owned through its holding company, Academy Music Holdings Limited, by <b>Live Nation-Gaiety</b> , Bob Angus (owner of <b>Metropolis</b> ) and Simon Moran (owner of <b>SJM</b> ).
<b>AMGL</b>	Angel Music Group Limited. A subsidiary of the <b>Mama Group</b> .
<b>Angel Festivals</b>	Angel Festivals Limited. A joint venture between <b>Live Nation-Gaiety</b> and <b>AMGL</b> .
<b>Arena</b>	An indoor <b>venue</b> , normally with a capacity above 5,000 people, which can be configured for a wide range of events and audience sizes, whether seated or standing, and is not limited to live music.
<b>Artist</b>	Performer at a live music event.
<b>Artist's agent</b>	Person or company who represents the interests of an <b>artist</b> in dealings with a <b>promoter</b> of live music events.
<b>AudienceView</b>	AudienceView Ticketing (UK) Ltd. The UK subsidiary of AudienceView Ticket Corporation. A Canadian-based supplier of ticketing software and related services.
<b>Booking fee</b>	A fee paid by the consumer for the arrangement of a booking.
<b>CCP</b>	Credit card processing. A fee payable by a merchant to a credit card company for transactions with consumers using a credit card.
<b>Tribunal</b>	Competition Appeal Tribunal.
<b>Convenience fee</b>	See <b>booking fee</b> .
<b>DFC</b>	DF Concerts Ltd. A promotions company which is a subsidiary of <b>DFH</b> . Among other events, it promotes the T in the Park festival.
<b>DFH</b>	DF Holdings Ltd. A holding company for a number of live music businesses operating in Scotland, including <b>DFC</b> , Big Day Out Limited, Bar None Management Limited and King Tut's Recordings Limited.
<b>Enta</b>	Ticket processing software provided by <b>Seatem</b> .

<b>Eventim</b>	CTS Eventim AG. The second-largest <b>ticket agent</b> in the world (by tickets sold), operating in 18 countries.
<b>Festival</b>	A large outdoor event featuring many <b>artists</b> over two to three days in a temporary <b>venue</b> , where the physical infrastructure is hired in and erected for the duration of the event.
<b>Fulfilment</b>	The delivery of a ticket to its purchaser.
<b>Gaiety</b>	Gaiety Investments Limited.
<b>GetMeIn</b>	A subsidiary of <b>Ticketmaster</b> , provider of a fan-to-fan ticket exchange.
<b>lastminute.com</b>	Last Minute Network Limited. An agency supplying travel, entertainment, including some live music, and other products.
<b>Live Nation</b>	Live Nation, Inc. A US-based operator of live music and theatrical <b>venues</b> in the USA and Europe and a worldwide <b>promoter</b> and producer of live entertainment events. It is the largest global producer of live music events.
<b>Live Nation-Gaiety</b>	Live Nation Gaiety Limited. Co-owned by <b>Live Nation</b> (via an intermediary holding company) and <b>Gaiety</b> . It owns or part-owns several subsidiaries including <b>AMG</b> , <b>Festival Republic</b> , <b>DFC</b> , <b>Angel Festivals</b> , and <b>Windfield Promotions</b> .
<b>Mama Group</b>	Mama Group plc. Owner and operator of live music <b>venues</b> .
<b>Manager</b>	Person who works closely with <b>artists</b> to manage their careers, including negotiating with <b>artist's agents</b> .
<b>Metropolis</b>	Scriptograph Limited, trading as Metropolis Music. A UK live music promotion company.
<b>NASDAQ</b>	National Association of Securities and Dealers Automated Quotation. A US stock exchange.
<b>NEC</b>	National Exhibition Centre Ltd. Owner of large multi-purpose <b>venues</b> in Birmingham (including the National Indoor Arena), used for live music events and other events.
<b>Primary retailing</b>	The sale of tickets on behalf of <b>promoters</b> or <b>venues</b> (and, occasionally, directly on behalf of <b>artists</b> ).
<b>Processing charge</b>	See <b>transaction charge</b> .
<b>Promoter</b>	The person or company that arranges all aspects of an <b>artist's</b> live music concert or tour.
<b>PRS for Music</b>	A music copyright collection society, which collects and pays royalties to composers and music publishers when their music is recorded and distributed to the public, performed or played in public, broadcast or made available online.
<b>Pubs and small clubs</b>	<b>Venues</b> with capacity of below 1,000.



<b>Regular Music</b>	Regular Music Ltd. A Scottish-based live music promotion company.
<b>Seatem</b>	Seatem Group. A ticketing software company which also provides ticket agency services, mainly for theatres and exhibitions.
<b>Seatwave</b>	Seatwave Limited. Provider of a fan-to-fan ticket exchange.
<b>SECC</b>	Scottish Exhibition and Conference Centre Ltd. Large multi-purpose <b>venues</b> in Glasgow, used for live music events and other events.
<b>Secondary retailing</b>	The secondary sale of tickets, often by consumers to other consumers through online marketplaces.
<b>See Tickets</b>	See Group Ltd. The second-largest <b>ticket agent</b> in the UK.
<b>Self-ticketing</b>	Practice where <b>venues</b> operate their own ticketing system and sell tickets directly to consumers, rather than employing a <b>ticket agent</b> to do so on their behalf.
<b>SJM</b>	SJM Concerts Ltd. A UK live music promotion company.
<b>SMG</b>	A US-based <b>venue</b> operation and management company, with operations around the world.
<b>Stadium</b>	The largest type of permanent open air <b>venue</b> , usually with capacities of between 50,000 and 80,000, used for live music events and other events.
<b>Ticket agent</b>	Seller of tickets on behalf of another party, eg a <b>promoter</b> or <b>venue</b> .
<b>Ticket Factory</b>	A trading division of the <b>NEC</b> . A <b>ticket agent</b> which sells tickets for events (including live music events) at the <b>NEC</b> , the LG Arena, the National Indoor Arena and at other <b>venues</b> in the UK.
<b>Ticketline</b>	Piccadilly Ticketline Limited. A UK <b>ticket agent</b> .
<b>Ticketmaster</b>	Ticketmaster Entertainment, Inc. Ticketmaster is the largest <b>ticket agent</b> in the world (by tickets sold) and also the largest <b>ticket agent</b> in the UK.
<b>Ticketsoup</b>	A trading division of the <b>SECC</b> . A <b>ticket agent</b> , which sells tickets for events (including live music events) at the <b>SECC</b> and other <b>venues</b> in the UK.
<b>Ticketweb</b>	Ticket Web (UK) Limited. A subsidiary of <b>Ticketmaster</b> .
<b>Ticket Zone</b>	A UK <b>ticket agent</b> .
<b>Tour</b>	A series of <b>concerts</b> in a number of different <b>venues</b> .
<b>Transaction charge</b>	A fee paid for the delivery of an order of tickets.

<b>Venue</b>	A permanent building either specifically designed or modified for live music events.
<b>Viagogo</b>	Viagogo Limited. Provider of a fan-to-fan ticket exchange.