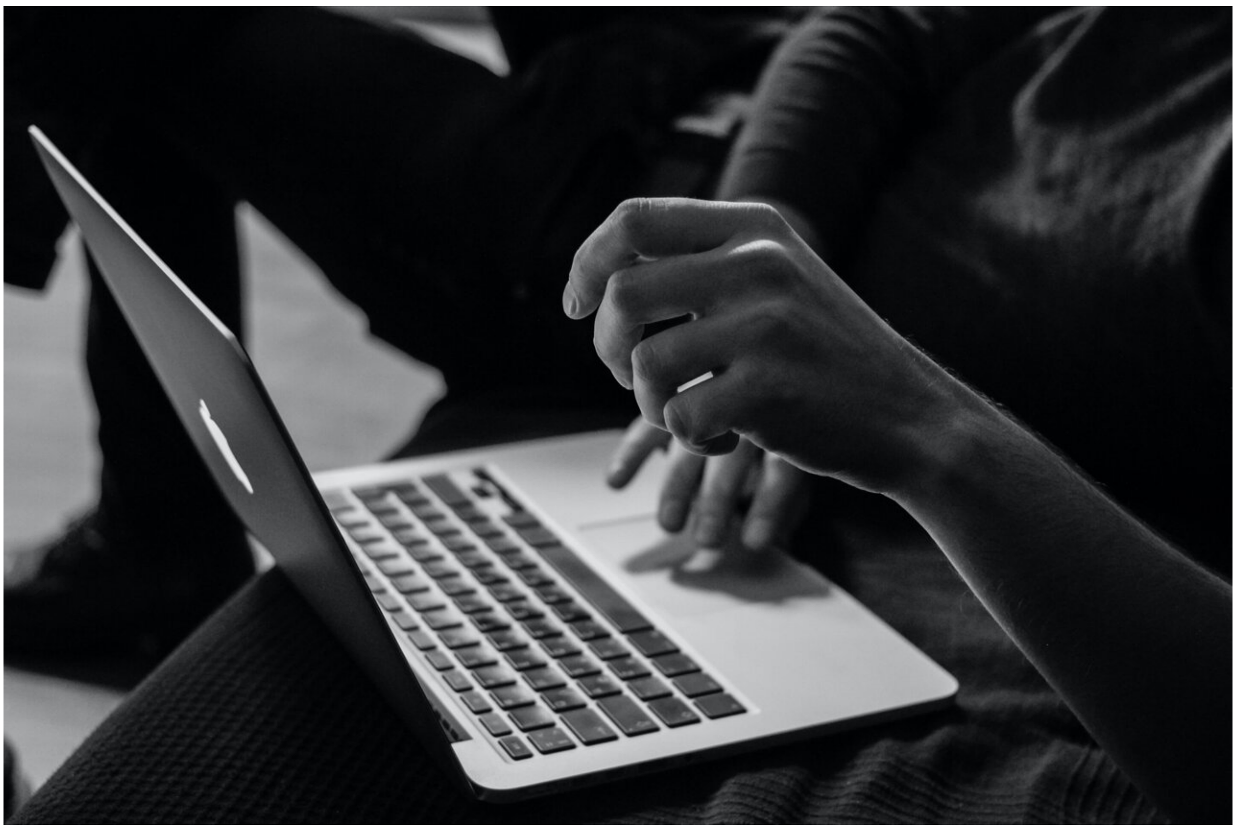
Oasis tickets: How dynamic pricing works—and how touts may have driven up prices

September 5 2024, by Nicolas de Roos



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Tickets to see Oasis in 2025 went on sale at the end of August. Very few will have missed the news that the 17 concerts in the UK are sold out.

When I searched afterwards, I was advised by the Ticketmaster website to: "Please check back later as more (tickets) may be released." How would more tickets be released? The capacity of Wembley cannot be increased. Will additional concerts be scheduled? Have tickets been withheld from sale?

After expecting to pay around £135 for a ticket, many fans who were lucky enough to get to the front of the queue then found the price had shot up to more than £350 because tickets were "in demand." Plenty of fans hadn't anticipated that the price could surge even as they waited in the queue.

Ticketmaster put the change down to "market value" and some believe the strategy is designed to discourage ticket touts. Following the row, the government said it would look at this so-called dynamic pricing as part of a wider consultation in autumn.

The Competition and Markets Authority (a UK regulator) and the European Commission are also investigating.

In a market economy, market prices play an important role in balancing the forces of demand and supply. Only consumers willing (however grudgingly) to pay the market price can buy a product like a concert ticket.

Firms can adjust prices to increase profits. If a product sells slowly, this could be an indication that the price has been set too high, and sales and profits could be increased by lowering prices. If a product is selling quickly and supplies are being exhausted, firms can increase profits by raising prices.

While we have grown accustomed to prices that adjust dynamically, it is rare for prices to change so dramatically (and not while we are in the purchase queue).

Pricing with uncertain demand

Prices tend to adjust over time in markets subject to uncertainty about demand. For example, each flight operated by an airline has a fixed capacity and the demand will be uncertain. As a result, most airlines (and hotels) have automated systems to implement dynamic pricing.

With each booking, seats become more scarce and the flight will be more likely to sell out. Airlines have an incentive to raise prices to maximize the revenue they earn on the scarce seats. Or if no seats are sold for a while, the flight becomes less likely to sell out and airlines may lower the price. So it may sometimes work in a passenger's favor to book later.

Selling a concert ticket is similar. In the case of the Oasis tour, organizers might have initially been uncertain about demand. But as the ticket queue grew rapidly, any uncertainty would have resolved and ticket prices rose.

The fact that the Oasis concerts sold out so quickly indicates that some consumers were willing to pay the market price but were unable to buy tickets. Instead of the price adjusting over time to balance demand and supply, those consumers who were quickest to reach the front of the queue got the scarce tickets.

However, a major difference between a concert and an airline ticket is that a plane ticket generally cannot be resold. Resale, however, is a common practice for concert tickets. This leads us from market uncertainty to a second explanation for dynamic pricing: surge pricing or price discrimination.

Ride-sharing services, such as Uber, routinely practice surge pricing by temporarily raising prices when demand is high or there is a shortage of drivers. Surge pricing is an example of what economists call price discrimination: the practice of selling two units of the same good at different prices.

Price discrimination and profits

In the case of surge pricing, the price a consumer pays depends on when they buy. Price discrimination is profitable for firms. No consumer likes to pay more, but through price discrimination, firms charge more to those consumers who are less responsive to price, boosting revenues and profits.

But there are winners and losers. Consumers who are flexible or price-sensitive tend to pay lower prices. And consumers who are locked into their plans and are less concerned about price pay more as a result of price discrimination.

One way for concert organizers to do this would be to withhold some ticket sales until nearer the show and sell them for a higher price than the first wave. Or, as we've seen, increase the prices even as the first wave of sales is underway.

And, if concert organizers do not do this, ticket touts may. In the case of Oasis, official ticket resales will be done through the Twickets site. Consumers will pay face value plus a fee of no more than £25 per ticket.

But touts who, immediately after the pre-sale, placed their tickets on sites like Viagogo and Stubhub for up to £6,000 were clearly responsible for a number of ticket purchases. The band has since warned fans not to buy these tickets as they may be canceled, but for many, the damage has been done.

By adding to the demand, they raised the price for everyone—apart from the lucky few who managed to secure their tickets for the original asking price.

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