

2012

Developing a Pricing Strategy for the Los Angeles Dodgers

Denise Linda Parris

Joris Drayer

Stephen L. Shapiro

Old Dominion University, sshapiro@odu.edu

Follow this and additional works at: https://digitalcommons.odu.edu/hms_fac_pubs

 Part of the [Marketing Commons](#), [Sports Sciences Commons](#), and the [Sports Studies Commons](#)

Repository Citation

Parris, Denise Linda; Drayer, Joris; and Shapiro, Stephen L., "Developing a Pricing Strategy for the Los Angeles Dodgers" (2012). *Human Movement Sciences Faculty Publications*. 20.
https://digitalcommons.odu.edu/hms_fac_pubs/20

Original Publication Citation

Parris, D., Drayer, J., & Shapiro, S. (2012). Developing a pricing strategy for the Los Angeles Dodgers. *Sport Marketing Quarterly*, 21(4), 256-264.

Developing a Pricing Strategy for the Los Angeles Dodgers

Denise Linda Parris, Joris Drayer, and Stephen L. Shapiro

Denise Linda Parris, PhD, is an assistant professor of marketing in the Barney Barnett School of Business and Free Enterprise at Florida Southern College. Her research interests and consulting include pricing and marketing strategies, non-profit management, leadership, and entrepreneurship.

Joris Drayer, PhD, is an assistant professor of sport and recreation management at Temple University. His research interests include ticketing and pricing strategies in both primary and secondary ticket markets, as well as consumer behavior.

Stephen L. Shapiro, PhD, is an assistant professor of sport management at Old Dominion University. His research focuses on financial management in college athletics, ticket pricing in college and professional sport, and consumer behavior.

Developing a Pricing Strategy for the Los Angeles Dodgers

Blame it on the weather? Or the economy? Even if these factors play a role in game day attendance, Larry knew there was a much bigger story behind the empty seats at Dodger Stadium. In 2011, the Los Angeles Dodgers averaged 36,236 fans per game, dropping from 43,979 in 2010 and 46,440 in 2009, an overall loss of about 10,000 fans per game in just two years (Baseball-Reference.com, 2012). In 2011, The Dodgers' attendance ranking fell from first to eleventh in Major League Baseball (MLB), which amounted to a loss of over 800,000 tickets sold per year, as well as the resulting revenue from concessions and parking. These numbers, in addition to being surpassed by the Los Angeles Angels of Anaheim in attendance for the first time in history, put Larry in quite a predicament. As Marketing Director of the Los Angeles Dodgers, Larry wondered how he could bring fans back to the ball park.

Despite the Dodgers' long and storied history, ticket demand had been negatively influenced by inconsistent performance, mounting bad publicity surrounding owner Frank McCourt's divorce, the beating of a San Francisco Giants fan on opening day at Dodger Stadium, and the threat of suspension or termination of the Dodgers by MLB commissioner Bud Selig if McCourt did not agree to sell the team. After filing for bankruptcy in June 2011, the McCourt Era (2004-2012) ended in March 2012 when he sold the Dodgers and Dodger Stadium to Guggenheim Baseball Management for over \$2 billion dollars, the highest price ever paid for a sports entity. The value of the deal was derived by the promise of a substantial uptick in media revenue following the 2013 season, when the organization's current deal expires (Futtermann, 2012). The new ownership group strengthened this investment by acquiring several All-Star caliber players with

large contracts (Hanley Ramirez, Carl Crawford, Josh Beckett, and Adrian Gonzalez). Given the increased investment and new strategic trajectory for the organization, the team also needed to reassess ticket prices as the product on and off the field was changing rapidly. Leading into the sale, the Dodgers were offering ticket prices not seen in 20 years with upper deck seats starting at just \$5 for season ticket holders. Most ticket prices were reduced throughout the stadium for the 2012 season ("Prices drop," 2012). Larry, who was part of the new management team, did not want to get boxed into the downward spiral of lowering ticket prices and wanted to take a fresh look at the team's pricing strategy, particularly in light of the exciting player acquisitions made by the new ownership group. He understood pricing is one of the most important elements of the marketing mix because it is the only variable that directly determines revenue (Parris, 2011). Since price affects quantity demanded, he thought developing a new pricing strategy would help fill the 56,000 seats inside Dodger Stadium.

In 2009, the San Francisco Giants were the first MLB team to adopt dynamic ticket pricing (DTP), which adjusts prices in real time to match fluctuations in consumer demand. Prices change daily based on factors such as team performance, individual player performance, ticket prices in the secondary market, and weather. DTP is quickly emerging as a prominent ticket pricing strategy with 17 of 30 MLB teams using some form of demand-based pricing during the 2012 season (Dunne, 2012). A catalyst to this transition has been the software pricing company Qcue that represents 15 MLB teams. Qcue started in 2007, offering dynamic ticket pricing solutions by using a model to recommend daily ticket price changes based on market demand (Qcue, 2012). This shift in pricing strategy is breaking long-held industry norms, and perhaps has

unintended consequences for fans and sports teams. Given the recent drop in attendance, the last thing Larry wanted was to adopt a pricing strategy that would add to fans' discontent. His marketing team needed to carefully evaluate the potential implementation of DTP by asking themselves: What factors influence day-to-day price-setting, and what is the best way to analyze and understand these factors? What are the potential positive and negative effects of DTP for the organization? And how can the Dodgers use their new pricing strategy as a marketing tool? The Dodgers needed clear answers to these questions in order to determine if DTP was the right choice for the organization. Larry realized that despite the growing acceptance of DTP, his team faced a steep learning curve regarding if and how to develop and implement this new pricing strategy. So he broke his ticket marketing team up into smaller groups and assigned them the task of assessing the most appropriate pricing strategy that would help the Dodgers maximize ticket revenue.

A New Beginning

The recent change in team ownership from Frank McCourt to the Guggenheim Baseball Group brought hope to Dodgers fans of a new era filled with more successes on and off the field. The team was facing the challenge of maximizing ticket revenue and finding an advantage to compete against the ever-increasing number of sport entities in the Los Angeles market, including the Angels (MLB); the Lakers and the Clippers (NBA); the Kings and the Mighty Ducks (NHL); the Galaxy and Chivas (MLS); notable college teams such as the UCLA Bruins and the USC Trojans; and several horse racing tracks and speedways. The new ownership group understood that the team's prestige and overall fan support had declined over the last decade and intended to bring the Dodgers, a team with worldwide brand recognition, back to prominence. Overall the organizational goals for the new ownership group included the aggressive acquisition of players, greater fan access to the action, renovations to Dodger Stadium, and improvements in stadium concessions (Beacham, 2012). A new pricing strategy based on market demand might be in line with these goals as new ownership is poised to develop an organization that is leading the way through creative initiatives that fit the current professional baseball environment.

Pricing Strategies

Although the mythical birthplace of baseball can be debated, the birthplace of yield management, also known as DTP, is the airline industry. Yield management is the "process of allocating the right type of

capacity to the right kind of customer at the right price as to maximize revenue or yield" (Kimes, 1989, p. 15). Service providers who sell tickets are constrained by the perishability and fixed capacity of their products. Thus, marketers employ complex pricing techniques such as early discounting, limited early sales, and over-booking in order to profitably fill capacity (Desiraju & Shugan, 1999; Kimes, 1989). Once the plane takes off or the ball game starts, revenue from unused seats is permanently lost. These constraints encourage service providers to adopt a strategic focus on filling capacity that is concerned with generating revenue from ticket sales, as well as the revenue derived from parking, concessions, merchandise, and any other services offered (Reese & Mittelstaedt, 2001).

Professional sports teams are service providers faced with the challenge of maximizing ticket revenue and finding a competitive advantage to compete against an ever-increasing number of entertainment options. For example, sports fans can choose to purchase a ticket to a baseball game, or to spend their money on participating in action sports, going to a movie, watching the game at home, or attending another entertainment event in their local area. In addition to competing against other entertainment options, all professional sports teams contend with the secondary ticket market where tickets are resold at prices dictated by market demand (Drayer & Shapiro, 2009). Secondary ticket market revenue is generated by capitalizing on the pricing inefficiency in the primary ticket market (Boyd & Boyd, 1998; Qcue, 2012). In this market, prices are free to respond to varying levels of consumer demand while tickets in the primary market typically stay constant throughout the year. According to King and Fisher (2011), buyers are increasingly bypassing the primary market in order to find discounted tickets on secondary market websites such as StubHub. Indeed, over the last few years, secondary market prices have come down while the number of transactions has gone up (Fisher, 2009). Not only does this negatively affect the primary market revenue, but the availability of tickets at prices well below face value may also affect the team's brand image and the perceived value of the tickets in the eyes of consumers. Further, King and Fisher (2011) stated that the availability of these discounted tickets may also be negatively affecting the size of the season ticket base.

Similar to the airline industry, demand for sport event tickets fluctuates regularly as evidenced by dramatic price changes in the secondary market (Drayer & Shapiro, 2009). The primary market's first acknowledgement of these fluctuations in demand was its use of variable ticket pricing (VTP) where teams charged different prices for the same seats primarily based on

the time of year (Rascher, McEvoy, Nagel, & Brown, 2007). When using VTP, teams set ticket prices months before opening day and are reluctant to change prices midseason to reflect the weather, winning or losing patterns, or responses to trades because they fear alienating their season ticket holders that pay upfront for their seats (Belson, 2009). For example, the Dodgers currently use a form of VTP by pricing their weekend games (Friday and Saturday) anywhere from \$2 to \$15 higher ("Dodger tickets," 2010).

In addition, prices per game differ only by pre-established pricing categories such as seat location and opponent. This creates two perceptions: 1) the customer is in an advantaged position (person has premium seats with a great view in close proximity to the field of play), and 2) the customer is in a disadvantaged position (person has poor seats with a bad view). Creating pricing categories (i.e., rate fences) gives teams the ability to design specific marketing offers, programs, and products targeted to small consumer segments. Well-designed rate fences prevent the less price sensitive fan, who is willing to pay more, from taking advantage of a lower price that is targeted at a more price-sensitive customer segment (Parris, 2011). For instance, the Dodgers have 28 different pricing categories for seat location and perceived service quality for season ticket holders; whereas the Giants have 11 (see Appendix A).

Additionally, until recently VTP was the only affordable option for teams. DTP was too expensive due to the cost associated with continuously re-pricing tickets; only recently has it become feasible with the technological advancements of digital markets and the exponential growth of the Internet as a popular transaction medium (DiMicco, Greenwald, & Maes, 2001; Howard & Crompton, 2004). Historically, the primary ticket market, which is operated by teams, has left demand-based pricing to scalpers and the secondary market; without taking into account that fans place a different value on tickets based on a variety of factors such as team success, opponent, and the day of the week (DiMicco et al., 2001; Drayer & Shapiro, 2009). The cost of mispricing results in over half of the tickets not being sold, while 10% are resold in the secondary market for two times the face value (Qcue, 2012). DTP helps teams set better up-front prices and allows them to adjust prices in real-time, based on advanced analytics and multiple measures of shifting demand, in order to fill seats while maintaining profitability. In fact, Shapiro and Drayer (in press) examined the San Francisco Giants' DTP prices and secondary market prices and found that compared to traditional fixed price tickets, DTP provides a ticket price that better

reflects fluctuations in demand that commonly dictate the price in the secondary market.

Although DTP is a growing trend in the sport industry and has shown evidence of being a successful tool in generating increased revenue and managing inventory, it is still in its infancy. Team marketers are still trying to figure out the factors influencing demand (data collection), the tools needed to do so (data mining and data analysis), the number of price categories (rate fences), the timing of price changes (frequency), fan perceptions of DTP, marketing implications (communications and promotions), and the overall management and operation of DTP. Currently, teams can completely outsource operations through companies such as Qcue or Digonex (Ticketmaster is also said to be developing this technology) or they can pay for data compilation and make pricing decisions on their own (King, 2012). Given the fact that each team is unique, it is vital that the Dodgers evaluate their specific situation to determine which factors that influence demand are the most relevant to them. The following sections provide an overview of the factors influencing consumer demand in sport and fan perceptions of ticket prices and pricing strategies.

Factors Influencing Demand in Sport

Determining the price to charge fans for season tickets, group tickets, and game day tickets requires teams to reflect on a number of factors such as organizational costs, consumer expectations and perceptions, supply and demand factors, competition, pricing objectives and strategies, and external and internal factors. Earlier studies examined variables that influence consumer demand such as outcome uncertainty (Falter & Perignon, 2000; Forrest & Simmons, 2002; Rascher, 1999) and labor strikes (Matheson, 2006). Boyd and Boyd (1998) found that attendance changed based on ticket prices, home team winning percentage (current and previous season), population, average household income, and the quantity and quality of other recreational opportunities in the local area (see Borland and MacDonald, 2003 for an extensive review of demand-based studies). These studies examine sport demand in a variety of contexts including different sport leagues in various countries. However, there are several studies that focus specifically on demand in professional baseball (Baade & Tiehen, 1990; Kahane & Shmanske, 1997; Marcum & Greenstein, 1985; McEvoy, Nagel, DeSchraver, & Brown, 2005; Rivers & DeSchraver, 2002). These articles provide a useful starting point in determining how to set prices in the primary market by illuminating which factors have a positive or negative impact on attendance (see Table 1). Most notably, these studies suggest that as the quality of the home

Table 1
Summary of Demand Studies on MLB

Authors	Year	Significant Effect on Attendance
Baade & Tiehen	1990	Star Players (+), number of professional teams in local market (-), team performance (+)
Kahane & Shmanske	1997	Roster turnover (+), new stadium (+), indoor stadium (-), ticket price (-)
Marcum & Greenstein	1985	Day of the week (+ for weekend), opponent (+ for better opponent), promotions (+)
McEvoy, Nagel, DeSchriver, & Brown	2005	Stadium age (+ for very old or very young stadia), current and previous year team performance (+)
Rivers & DeSchriver	2002	Team payroll (+ if evenly dispersed among players), playoff success (+), new stadium (+), income (-), playing surface (- for turf fields)

team and the opponent goes up, so will attendance. Further, other specific factors, such as day of the week and stadium age, may also have a strong impact on demand. Given that supply in the primary market is fixed (by stadium capacity), any evidence of increased consumer demand suggests that a price increase may be appropriate.

While the aforementioned studies are helpful in understanding what drives people to an event, there is relatively little research that examines how these factors influence the amount consumers are willing to pay for tickets. In terms of the primary market, Reese and Mittelstaedt (2001) found that organizations price their tickets based on team performance, revenue needs of the organization, public relations, toleration of the market regarding price increases, and average league ticket prices. Rishe and Mondello (2003) provided empirical evidence of various price determinants, including team performance, fan income level, and playing in a new stadium. The authors acknowledged that the process of price determination will vary from team to team and league to league, thus making it difficult to standardize the procedure. Rishe and Mondello (2004) also investigated ticket price determinants across the four major North American sports leagues. Their findings across sports were consistent with previous findings in which price was influenced by team performance, a new stadium, previous price increases, and fan income. The authors also found that population size was positively correlated with ticket prices in all leagues with the exception of the NFL where sellouts are common regardless of market size.

Prices in the secondary market have fluctuated according to demand for years. Drayer and Shapiro (2009) conducted a study of price determination in the secondary market. They found that for NFL playoff games, the strongest predictors of final sale price on

eBay was the face value of the ticket, population in the home city, and total number of secondary market transactions for the game. However, the study was limited to tickets for NFL playoff games in a single season. More recently, Drayer, Rascher, and McEvoy (2012) found that prices for NFL regular season tickets sold on a secondary market website differed based on the point spread (games with smaller point spreads had higher prices), percent of total seats sold, the home team playing in a new stadium, and team performance (both home and visiting teams). In regard to baseball, Shapiro and Drayer (in press) found that time and seat location influenced secondary market prices in an environment where DTP was being used within the primary market. Although there are some consistencies in price determinants within the primary and secondary market, clearly there are also differences. The secondary market price determinants that are different tend to focus on factors that fluctuate regularly. These factors are not relevant in a primary market when fixed pricing is being used. However, with the implementation of DTP factors affecting price in the primary market could mirror those in the secondary market.

Fan Perceptions

Fan reaction is one of the biggest considerations for teams adopting DTP, as the practice has not been accepted by consumers in all industries (Cox, 2001; DiMicco et al., 2001). The Dodgers are certainly concerned with fan reaction to price changes during this change in ownership. Customers are frequently faced with price fluctuations for the same products. Charging customers different prices for airline tickets, hotel rooms, sports and entertainment tickets, and retail products is a common practice by most companies. Price differentiation in the airline industry has been used for years, however, when Amazon sold the

same movies and DVDs at different prices to different customers there was a public outcry calling the pricing strategy unjust (Cox, 2001). Coca-Cola's use of smart vending machines, that charged higher prices for hotter temperature items, and Victoria Secret offering higher discounts to men, are examples of discriminatory pricing that varied prices across time periods, consumers, and circumstances, resulting in dramatic consumer resistance (Haws & Bearden, 2006). These examples illustrate that the price offered to consumers and the rationale for price changes may be perceived as unfair (Xia, Monroe, & Cox, 2004).

Consumers want price consistency and if fluctuations in price, particularly price hikes, are viewed as unfair, they may choose not to purchase (Kahneman, Knetsch, & Thaler, 1986). However, Wirtz and Kimes (2007) claimed that the perception of unfairness declines over time as consumers become more familiar with regular price changes based on market factors. For instance, Kimes (1994) showed that perceptions of real-time pricing were more favorable for the airline industry, which had used revenue management heavily compared to the hotel industry where the practice was in its infancy. Kimes (2003) replicated this study a decade later and found positive perceptions of real-time pricing in both industries providing evidence that time and familiarity reduced feelings of unfair pricing practices.

Another concern of the new management was how fans might perceive the Dodgers changing prices so often with the adoption of DTP. Parris and Drayer (2010) conducted an exploratory study by posting a survey on online message boards to investigate fans' perceptions of price changes. The results indicated fans responded differently to the reason for the price change. Fans were asked to rate the fairness of price change factors that included weather, team and individual performance, the opponent, seat location, promotions and giveaways, and day and time of the game. Seat location, day, and time of the game are pre-determined; therefore, prices variations can be set in advance based on these factors. Other factors such as team performance, individual player performance, starting pitcher, weather, and expected attendance cannot be pre-determined, certainly not before the season starts. In the Parris and Drayer (2010) study, seat location was clearly perceived as the most fair price setting factor, while day and time of the game were also perceived as fair by respondents. However, the vast majority of price setting factors were seen as unfair. Fans were also asked to rate how familiar they were with the practice of DTP and how fair they considered this pricing strategy to be for the ticket buyer. The results indicated that fans who were more familiar with DTP perceived the strategy as more fair, which is consistent

with Kimes' (2003) work in the hotel and airline industries. This may suggest that as DTP becomes more common in a sport setting, the perceptions of unfairness could decrease.

Implementing DTP: Peer Feedback

The Dodgers have been seriously considering the implementation of DTP moving forward. Since two of the Dodgers' biggest rivals, the San Diego Padres and San Francisco Giants, had adopted DTP in recent years, each organization was contacted in hopes of learning more about their decision to implement this pricing strategy and gain further information about how such a system would work.

First, John Abbamondi, Vice President of Strategy and Business Analysis for the San Diego Padres, helped them understand the three different ways sport teams price tickets:

- Every game is priced the same—price differences are based only on seat location and quality of service;
- VTP—prices vary based on seat location and service quality, in addition to assigning different prices for games based on the team's 'best guess' of expected demand approximately nine months before the season using three or more pricing levels (i.e., A Games, B Games, or C Games, with A Games representing the highest demand, such as opening day). These price settings do not change once tickets go on sale;
- DTP—like VTP, but with the added ability for ticket prices to change in real time by allowing prices to adjust based on changing demand (i.e., instead of having a fixed face value, ticket prices vary based on whether fans are purchasing or not purchasing tickets).

Although the Padres used to price each game the same, after adopting DTP they changed prices "section by section, game by game" (J. Abbamondi, personal communication, June 19, 2012). By using DTP for individual tickets teams have the ability to change prices for any section depending on market indications. Another consideration when a team adopts DTP is addressing how to create rate fences (i.e., seating sections) that target fans' price points. As John of the Padres described, "If I look at a game and I have two neighboring sections, which are priced five dollars apart, and the cheaper section is sold out, whereas the more expensive section is not very well sold, the market is telling me to lower the price on the more expensive section" (J. Abbamondi, personal communication, June 19, 2012). Thus, DTP can serve as a tool for filling capacity.

In addition, John of the Padres explained how the adoption of DTP is not a zero-sum game; a situation in

which the Dodgers' gain (or loss) will be exactly balanced by the losses (or gains) of fans. DTP can be implemented differently or not adopted across all customer segments. For instance, season tickets can still be variably priced; group tickets (e.g., companies, churches, schools or Cub Scouts) can be priced based on weekend or week day games, and individual and game day tickets can be priced using DTP. Pricing strategies should address the needs of each customer segment and take into consideration special pricing promotions.

The customer segment the Dodgers marketing teams are typically most concerned about regarding the adoption of DTP is season ticket holders. As a senior executive in the NBA shared, "Our season-ticket holders are paying an inordinate amount of money. I don't really want to piss them off by lowering prices" (Muret, 2010, p. 2). This concern is valid considering that the perceived fairness of a comparable other paying less is stronger than when the comparable other pays more (Martins, 1995). Hence, before Russ Stanley, Managing Vice President of Ticket Sales and Services for the San Francisco Giants, adopted DTP, he conducted research on season ticket holders' perceptions of pricing strategies. "Those surveyed came back and said, Do what you want on single game pricing. I do not care. But just do not undercut me or make me look stupid that I bought a season ticket" (R. Stanley, personal communication, June 13, 2012). Even though the Dodgers season tickets sold for the 2012 season at prices equivalent to prices 20 years ago, the marketing team was concerned prices may drop even lower with a DTP strategy, resulting in season ticket holders paying higher prices than individual game day tickets. However, John of the Padres explained how this is a "misnomer," and how a DTP strategy for individual and game day tickets can demonstrate a value to season tickets holders. First, both the Padres and the Giants have an internal policy that they will not price games below the season ticket holder price. Thus, season ticket holders will always know they paid the lowest price of anyone in the ballpark for their seat. It's also important to remember season tickets holders purchase tickets for a considerable discount. For instance, for a field box VIP seat for a Padres game at Petco Park, one of the best at the stadium, a season ticket holder will pay \$46 a game for the whole season while the average single game ticket sells for \$80. The average discount represents a 30% to 40% margin for brokers and scalpers who purchase season tickets with the intention of reselling. According to Russ of the Giants, his team's adoption of DTP has not had a noticeable effect on the secondary ticket market, "Our StubHub numbers on the secondary market have gone up 15% consistently the last couple of years,

which leads me to believe we're still not pricing our season tickets properly" (R. Stanley, personal communication, June 13, 2012). Second, John of the Padres emphasized how DTP "allows you to demonstrate to the season ticket holder that they saved money even more than they had in the past" (J. Abbamondi, personal communication, June 19, 2012). This added value is made obvious when ticket prices for some games increase because of significant demand. As a result, season ticket holders can see they save hundreds of dollars (in some cases) on a seat compared to the individual ticket price. As a result, DTP can benefit season ticket holders.

Another issue with adopting DTP has been losing control of setting ticket prices to an algorithm. Russ of the Giants helped ease these concerns by explaining that the Dodgers would still be in control. To date, DTP, as used by teams in the MLB, is not automatic and is changed manually. DTP software companies like Qcue present a recommendation based on hundreds of data points that are hitting the algorithm, then, as Russ of the Giants describes, "What we're doing is really just looking at it and giving it a human touch" (R. Stanley, personal communication, June 13, 2012). Teams can accept the suggested price change for each section of the ballpark, reject it and retain current prices, or adjust prices differently than the recommendation based on other factors the management team deems relevant, such as a sudden change in pitching rotation. The Giants have a management team of four that meets twice a week and for game night one person will determine if prices will go up or down. Barry Kahn, CEO and founder of Qcue, and Russ, highlighted the fact that there is a learning curve for the team, and it takes time to get the algorithm 100% accurate. As one of Qcue's first MLB teams (the Giants signed up three years ago) Russ indicated, "more and more we're hitting 'accept all' for a particular game, which means that he's [Barry at Qcue] getting the algorithm closer to setting prices that reflect shifting demand, and it might be two years from now our prices will update automatically" (R. Stanley, personal communication, June 13, 2012). Ultimately, the Dodgers would still have control over the pricing; however, they would still have a steep learning curve for how best to adopt a new pricing strategy.

Teams exploring DTP also agonize over fans' reactions to prices swinging wildly between games. For instance, some fans reacted negatively when premium terrace seats for the Dallas Stars hockey team were offered at \$36 and two days later the same seats cost \$60 (Reisinger, 2009). The Giants, like many MLB teams, initially explored if DTP was a 'good fit' for their team by adopting it across a section of seats

instead of throughout the entire ballpark. This allowed them to assess consumer response to the price changes and continue to gather information that might be relevant to the pricing algorithm. Further, for the Giants, Russ clarified that price changes are not dramatic swings, and sometimes are as small as 25 cents or 50 cents with the most significant changes averaging only two to five dollars. Adoption of DTP has shown that these relatively small price changes would alter fans' purchasing behavior. For example, several years ago Giants' tickets priced at \$33 were not selling; however, they could see those same tickets were selling at \$31 on StubHub. Hence, the two dollar difference was too high, surpassing fans' willingness to purchase tickets. Moreover, Russ of the Giants warned that one of the ways a team can lose money with DTP is by not addressing the cost of managing and counting money, which suggests teams should not change prices after a certain time on game day, and develop a policy to round prices up or down depending on ticket sales. It is important to note that the degree of price change is different for each team and depends on previous prices and the number of price changes.

Lastly, Barry at Qcue was contacted in order to gather information regarding important factors the Dodgers needed to consider before adopting a DTP pricing strategy. First, Barry emphasized the need for each team to clearly define their business goals and objectives. What is the team trying to do? Are the Dodgers trying to drive more revenue? Or is filling capacity to enhance consumers' experience more critical for revitalizing the fan base? Barry explained that defining these goals will help with startup (i.e., set up) by ensuring the team has thoroughly discussed DTP, received buy-in from owners and upper management, and developed an understanding for the abilities of the organization to implement a new model. Most importantly, these goals and objectives force the organization to evaluate where they are and where they want to go. Second, Barry of Qcue highlighted that one of the biggest and most unexpected challenges to DTP was individual teams' lack of data, unreliability of their data, and the inability to mine the data. Therefore, teams have a steep learning curve in data collection and mining. Next, Barry reminded the Dodgers that DTP is not "just about changing prices;" it requires integrating multiple software applications (i.e., systems) to provide a single point of reference (i.e., a dashboard), in addition to updating communications with stakeholders via the team website and other sources (B. Kahn, personal communication, June 18, 2012). After speaking with John of the Padres, Russ of the Giants, and Barry of Qcue, the Dodgers' ticket marketing team had a deeper understanding of DTP,

but still realized they had a lot to learn and a very difficult decision ahead of them.

Conclusion

Leading up to the pricing strategy meeting, Larry kept reminding his marketing team that adoption of DTP, as with any new business strategy, requires the commitment of management, intensive employee training, and effective communications that re-educate the consumer. A DTP strategy would change existing norms. Larry wanted each marketing team to consider the wide variety of information that had been collected and determine what the most appropriate pricing strategy was for the new Los Angeles Dodgers. Specifically, he wanted them to focus on two key decisions. The first was to determine whether or not to make the leap into DTP as several competitors had done recently. Second, he needed his marketing team to carefully develop the pricing structure for all tickets (season tickets, group tickets, and single game tickets), regardless of whether or not DTP would be adopted. He reiterated that a detailed explanation and justification of their solution would be necessary for this new ownership group that is clearly very interested in the organization's marketing strategy moving forward.

References

- Baade, R. A., & Tiehen, L. J. (1990). Determinants of Major League Baseball attendance, 1969-1987. *Journal of Sport and Social Issues*, 14, 14-32.
- Baseball-Reference.com (2012). Los Angeles Dodgers attendance, stadiums, and park factors. Retrieved from <http://www.baseball-reference.com/teams/LAD/attend.shtml>
- Beacham, G. (May 2, 2012). Dodgers begin new era with owners Magic, Kastan. *The Washington Times*. Retrieved from <http://www.washingtontimes.com/news/2012/may/2/dodgers-begin-new-era-with-owners-magic-kasten/?page=all>
- Belson, K. (2009). Baseball tickets too much? Check back tomorrow. *The New York Times*. Retrieved from http://www.nytimes.com/2009/05/18/sports/baseball/18pricing.html?_r=2
- Borland, J., & MacDonald, R. (2003). Demand for sport. *Oxford Review of Economic Policy*, 19, 478-502.
- Boyd, D. W., & Boyd, L. A. (1998). The home field advantage: Implications for the pricing of tickets to professional team sporting events. *Journal of Economics and Finance*, 22, 169-179.
- Cox, J. L. (2001). Can differential prices be fair? *The Journal of Product and Brand Management*, 10, 264-275.
- Desiraju, D., & Shugan, S. M. (1999). Strategic service pricing and yield management. *Journal of Marketing*, 63, 44-56.
- DiMicco, J. M., Greenwald, A., & Maes, P. (2001). Dynamic pricing strategies under a finite time horizon. Retrieved from <http://doi.acm.org/10.1145/501158.501169>
- Dodger tickets go on sale March 6. (February 22, 2010). Retrieved from http://losangeles.dodgers.mlb.com/news/press_releases/press_release.jsp?ymd=20100222&content_id=8114674&vkey=pr_la&fext=.jsp&c_id=la
- Drayer, J., Rascher, D. A., & McEvoy, C. D. (2012). An examination of underlying consumer demand and sport pricing using secondary market data. *Sport Management Review*. Retrieved from <http://dx.doi.org/10.1016/j.smr.2012.03.005>

- Drayer, J., & Shapiro, S. L. (2009). Value determination in the secondary ticket market: A quantitative analysis of the NFL playoffs. *Sport Marketing Quarterly*, 18, 5-13.
- Dunne, P. (February 22, 2012). Dynamic pricing trend sweep across Major League Baseball. *Ticket News*. Retrieved from <http://www.ticketnews.com/news/Dynamic-pricing-trend-sweeps-across-Major-League-Baseball021222303>
- Falter, J. M., & Perignon, C. (2000). Demand for football and intramatch winning probability: An essay on the glorious uncertainty of sport. *Applied Economics*, 32, 1757-1765.
- Fisher, E. (2009, May 11). Ticket overload. *SportsBusiness Journal*. Retrieved from <http://www.sportsbusinessdaily.com/Journal/Issues/2009/05/20090511/BJ-In-Depth/Ticket-Overload.aspx?hl=secondary%20market&sc=0>
- Forrest, D., & Simmons, R. (2002). Outcome uncertainty and attendance demand in sport: The case of English soccer. *The Statistician*, 51(2), 229-241.
- Futterman, M. (March, 29, 2012). Behind Dodgers deal: TV riches. *The Wall Street Journal*. Retrieved from <http://online.wsj.com/article/SB10001424052702304177104577309860750637758.html>
- Haws, K. L., & Bearden, W. O. (2006). Dynamic pricing and consumer fairness perceptions. *Journal of Consumer Research*, 33, 304-311.
- Howard, D. R., & Crompton, J. L. (2004). Tactics used by sport organizations in the United States to increase ticket sales. *Managing Leisure*, 9, 87-95.
- Kahane, L., & Shmanske, S. (1997). Team roster turnover and attendance in Major League Baseball. *Applied Economics*, 29, 425-431.
- Kahneman, D., Knetsch, J. L., & Thaler, R. (1986). Fairness and the assumptions of economics. *Journal of Business*, 59, 285-300.
- Kimes, S. E. (1989, November). The basics of yield management. *The Cornell H.R.A Quarterly*, 14-19.
- Kimes, S. E. (1994). Perceived fairness of revenue management. *Cornell Hotel and Restaurant Administration Quarterly*, 35, 22-29.
- Kimes, S. E. (2003). Revenue management: A retrospective. *Cornell Hotel and Restaurant Administration Quarterly*, 44, 131-138.
- King, B. (2012, March 19). Ticket challenge: Getting the price right. *Street & Smith's SportsBusiness Journal*. Retrieved from www.sportsbusinessdaily.com/journal/issues/2012/03/19/in-depth/ticket-pricing.aspx
- King, B., & Fisher, E. (2011, October 24). Second thoughts. *Street & Smith's SportsBusiness Journal*, 14(26), 1-21.
- Marcum, J. P., & Greenstein, T. N. (1985). Factors affecting attendance of Major League Baseball: II. A within-season analysis. *Sociology of Sport Journal*, 2, 314-322.
- Martins, M. (1995). An experimental investigation of the effects of perceived price fairness on perceptions of sacrifice and Value. Doctorial Dissertation, Department of Business Administration, University of Illinois.
- Matheson, V. A. (2006). The effects of labour strikes on consumer demand in professional sports: Revisited. *Applied Economics*, 38, 1173-1179.
- McEvoy, C. D., Nagel, M. S., DeSchriver, T. D., & Brown, M. T. (2005). Facility age and attendance in Major League Baseball. *Sport Management Review*, 8, 19-41.
- Muret, D. (2010). Variable or dynamic, ticket pricing gets fresh look from teams. *Street & Smith's SportsBusiness Journal*. Retrieved from <https://www.sportsbusinessjournal.com/>
- Parris, D. (2011). Price determination. In L. E. Swayne & J. G. Golson (Eds.), *Encyclopedia of sports management and marketing*. Thousand Oaks, CA: Sage.
- Parris, D., & Drayer, J. (October, 2010). Perceptions of ticket price fairness in Major League Baseball. Presented at the Sport Marketing Association annual conference, New Orleans, LA.
- Prices drop for single-game Dodgers tickets, go on sale Saturday. (March 2, 2012). *CBS Los Angeles*. Retrieved from <http://losangeles.cbslocal.com/2012/03/02/dodgers-single-game-tickets-go-on-sale-saturday/>
- Qcue. (2012). Retrieved from <http://qcue.net/>
- Rascher, D. A. (1999). A test of the optimal positive production network externality in Major League Baseball. In E. Gustafson & L. Hadley (Eds.), *Sports economics: Current research* (pp. 27-48). Westport, CT: Praeger.
- Rascher, D. A., McEvoy, C. D., Nagel, M. S., & Brown, M. T. (2007). Variable ticket pricing in major league baseball. *Journal of Sport Management*, 21, 407-437
- Reese, J. T., & Mittelstaedt, R. D. (2001). An exploratory study of the criteria used to establish NFL ticket prices. *Sport Marketing Quarterly*, 10, 2-8.
- Reisinger, D. (2009). Qcue, Dallas Stars team on dynamic ticket pricing. *Cnet News*. Retrieved from http://news.cnet.com/8301-13506_3-10347536-17.html
- Riche, P. J., & Mondello, M. J. (2003). Ticket price determination in the National Football League: A quantitative approach. *Sport Marketing Quarterly*, 12, 72-79.
- Riche, P. J., & Mondello, M. J. (2004). Ticket price determination in professional sports: An empirical analysis of the NBA, NFL, NHL, and Major League Baseball. *Sport Marketing Quarterly*, 13, 104-112.
- Rivers, D. H., & DeSchriver, T. D. (2002). Star players, payroll distribution, and Major League Baseball attendance. *Sport Marketing Quarterly*, 11, 164-173.
- Shapiro, S. L., & Drayer, J. (in press). A new age of demand-based pricing: An examination of dynamic ticket pricing and secondary market prices in Major League Baseball. *Journal of Sport Management*.
- Wirtz, J., & Kimes, S. E. (2007). The moderating role of familiarity in fairness perceptions of revenue management pricing. *Journal of Service Research*, 9, 229-240.
- Xia, L., Monroe, K. B., & Cox, J. L. (2004). The price is unfair! A conceptual framework of price fairness perceptions. *Journal of Marketing*, 68, 1-15.

Editor's Note: Teaching Notes for this case study can be found at www.fitinfotech.com

Appendix A – Dodgers 2012 Ticket Prices

2012 TICKET PRICING (per seat)

Level	Season Price	Group Price	Advance Price*
Field Box VIP	\$80		\$115
Field Box MVP	\$70		\$115
Infield Box	\$50	\$50	\$80
Preferred Field VIP	\$30	\$34	\$55
Preferred Field Box	\$16	\$26	\$40
Loge VIP - Front Row	\$69		\$95
Loge Box VIP	\$55		\$80
Loge Box MVP	\$45	\$45	\$65
Infield Loge Box - Front Row	\$45		\$65
Infield Loge Box	\$34	\$35	\$55
Preferred Loge Box - Front Row	\$28		\$38
Preferred Loge Box Value - Front Row	\$14		\$38
Preferred Loge Box	\$15	\$20	\$28
Preferred Loge Box Value	\$10		\$28
Loge WC	\$10		\$20
Club	\$44		\$64
Infield Reserve - Front Row	\$20		\$38
Infield Reserve	\$15	\$18	\$28
Infield Reserve Value	\$10		\$28
Lower Reserve	\$8	\$11	\$20
Reserve WC	\$8		\$20
Reserve	\$6	\$9	\$16
LF Pavilion VIP	\$11	\$17	\$20
LF Pavilion	\$9	\$14	\$17
All-You-Can-Eat Pavilion VIP	\$26	\$28	\$34
All-You-Can-Eat Pavilion	\$24	\$26	\$30
Top Deck - Front Row	\$8		\$16
Top Deck	\$5	\$8	\$10

*Denotes Sunday through Thursday pricing. Ticket prices for weekend games are priced approximately \$2 - \$15 higher for each section.