

Popularity of live music spells good news for events industry

By James Cobb

IT HAS been commented widely that with the market for recorded music declining, income from live performance is fast replacing CDs as an artist's largest earner.

Where once artists went on loss-making tours to promote their recordings, increasingly they'll be giving away their songs on iTunes to promote their world tour.

This is clearly bad news for the record companies. And we'll see an increasing number of deals like the one EMI struck with Robbie Williams. But for the live event industry, it appears to be great news. 'More is better' seems common sense. However there is something a little pernicious happening.

Economic research has shown that under the old model tickets tended to be priced sub-optimally. Artists could have earned more by raising ticket prices. However they preferred to earn less, sell-out more, and drive record sales.

In the new model, ticket prices are rising, and more shows are being promoted as artists, and therefore promoters, seek to maximise their income from live performance. In practice, the effect is that it is becoming harder for promoters to make a profit. Hungry artists squeeze margins, ticket prices are starting to push the limits of elasticity, and more and more shows compete for the public's pennies.



James Cobb

This affects the very largest and the very smallest of players. But it affects them very differently. Small events can, and will, go under as the economic paradigm shifts and pricing and demand settle at a new level. This publication's pages carried just such stories last summer, and this year will undoubtedly bring more.

The very largest promoters react differently. Suppose you were promoting a series of concerts in the centre of London, but tickets were failing to sell as expected. Projected losses were looking like one million. The rational response, with deep-enough pockets, would be to paper the show in time-honoured ways, but to a novel extent. If tickets reaching the tens of

thousands could be given away under the auspices of a charity, you could avoid upsetting those who've bought at full price. You could keep the sponsors happy. Your reputation would remain intact. And you'd live to fight another show.

Now if this were to actually happen – and I hear it already has this summer – it adds even greater pressure in a difficult market to the smaller promoters struggling for survival.

Now this isn't just a whinge about big companies. It's more serious than that. Pricing tickets near the limits that the public are prepared to pay, then giving them away in ridiculous numbers distorts the market completely. It's the same as a monopoly abusing its position by pricing at unsustainably low levels for a short time, allowing smaller businesses to fail in a manipulated market, and then raising prices again.

Put like that, giving tickets to charity doesn't sound so noble.

There are, I believe, some things we could do to alleviate the pain while the ticket market settles down. And one of them is something Stuart Galbraith of Live Nation has already signed up to in principle. It's the publication of box office data which, while very contentious, does, according to research in other industries, benefit everyone in the end. But more on that another time.