

Activities and Discussion Questions



Inning 5

5.1 Are All Fans Equally Important?

Try This Exercise:

You are a team owner whose top priority is making a profit. Rank the following fans in order of their importance to your team's bottom line. Try the exercise by yourself, and then get together as a class and compare results.

- a) a ten-year-old child who wants to watch the World Series on TV
 - b) a male, 18 to 45 years old, who watches sports on TV
 - c) a season ticket holder (conventional box seat)
 - d) a corporate customer that buys six box seat season tickets
 - e) a corporate customer that buys a luxury suite for the season
 - f) a family of four that buys tickets to one or two games a season
- Talk about the reasons for your rankings.



Courtesy of the Boston Public Library, Print Department

Kids celebrate Opening Day at Boston's Fenway Park, 1956



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5.2 Ticket Prices

When demand is high, producers tend to push up prices. Pro sports teams are no exception.

Try This Exercise:

Look at the figures shown below for total Major League Baseball attendance and average ticket prices and then try to answer the following questions:

- What relationship do you see between attendance and ticket prices?
- If enough fans are willing to pay higher prices, why should teams worry about the rising cost of tickets? After all, isn't it every business owner's dream to have a product that is so much in demand that customers will pay just about any price to buy it?

Major League Baseball Attendance and Average Ticket Prices Regular Season Games, 1990-2000				
Year	Total Attendance	% Change in Attendance	Average Ticket Price	Change in Ticket Price
1990	54,824,000	----	----	----
1991	56,814,000	3.5%	\$8.64	----
1992	55,873,000	- 1.6%	\$9.30	7.6%
1993	70,257,000	25.7%	\$9.60	- 3.2%
1994*	50,010,000	- 28.8%	\$10.45	8.9%
1995*	50,469,000	0.9%	\$10.55	1.0%
1996	60,100,000	19.0%	\$11.19	6.1%
1997	63,196,000	5.1%	\$11.98	7.1%
1998	70,601,000	11.7%	\$13.59	13.4%
1999	70,348,000	- 0.4%	\$14.91	9.7%
2000	72,784,000	3.5%	\$16.67	11.8%

*strike-shortened season





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Try This Exercise:

Price can vary quite a bit from one market to another. Compare the highest-priced major league baseball markets to those with the lowest ticket prices.

Questions:

- Other than the ticket prices, what are the differences between the high-priced and the low-priced markets?

Ticket Prices: Highs and Lows				
	2002 Ticket Price	Average 2001 Home Crowd	Average 2001 Capacity	2001 Wins/ Losses
Highest Prices				
Boston Red Sox	\$39.68	32,411	96.6%	82/79
Seattle Mariners	\$24.60	43,300	91.9%	116/46
Lowest Prices				
Montreal Expos	\$9.00us	7,935	17.1%	68/94
Minnesota Twins	\$11.78	22,286	45.8%	85/77

- How do you think these differences affected ticket prices?





5.3 Box Seats and Bleachers

Is going to a game really more expensive than it used to be?

No doubt about it, going to a professional sporting event is expensive. Just look at baseball, which has the *lowest* average ticket price of the four major American spectator sports.

According to the annual Fan Cost Index issued by Team Marketing Report, a family of four would pay an average of \$228.73 to attend one Boston Red Sox home game in 2002. (The Montreal Expos home game was the least expensive at \$84.89 U.S.)

The Fan Cost Index includes: four average price tickets, parking for one car, four small sodas, four hot dogs, two small beers, two game programs, and two twill souvenir caps. And that might even underestimate the actual cost because, as everyone knows, kids never stop at just one hot dog and a small soda.

But is going to a game really more expensive than it used to be?

In 1919, a seat in the grandstand at a major league baseball game cost \$1.00. Those were the days, right? Not exactly.

The average weekly earnings of a U.S. manufacturing worker in 1919 amounted to \$22 a week, which means the \$1.00 grandstand seat ate up 4.5 percent of the worker's weekly income.

Fast-forward to 2002: A U.S. manufacturing worker earned an average of \$630 a week, and a grandstand seat at Fenway Park sold for about \$25.00 or 4.0 percent of the worker's weekly income.

Looked at in these terms, the cost of going to a baseball game has remained fairly stable over the years.

Now just try telling that to the dad or mom who is shelling out \$228 for an outing at friendly Fenway.





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Try This Exercise:

Going to a game seems to have gotten very expensive. But how does it compare to the cost of other entertainment options?

Take a look at the Arts & Entertainment section of a Sunday newspaper or go online and compare the cost of five different entertainment options. How does the cost of pro sports compare with the cost of these other options?





5.4 In Your Dreams

What if you were to wake up one morning to see the following headline:

**Pro Players Take 50 Percent Pay Cut!
Stars Say They Love Fans, Want
to See Ticket Prices Drop**

Question:

Even if this were to happen, do you think ticket prices would drop as long as teams were able to fill most of the seats in their ballparks? Explain.





5.5 Choice Seats: Allocating a Scarce Resource

What is the best way to allocate a scarce resource? By price? By lottery? By seniority? By need? What is most efficient? What is fair? Is there a need to balance efficiency and fairness?

Questions of scarcity and allocation always arise during the days leading up to a major sports event. Everyone wants to see the “big game,” but the number of seats is limited. So, who gets tickets? How should the tickets be allocated?

These days, season ticket holders get the “right of first refusal” (first choice) on a large share of World Series or playoff tickets. In a sense, those tickets are being allocated by price because season ticket holders are shelling out a considerable amount of money when they buy seats for an entire season.

If you look at it another way, season ticket holders are also buying a lottery ticket. What’s the prize? The right to buy post-season playoff tickets before anyone else - if their team makes it to the post-season.

But not all “big game” tickets go to people who hold season tickets. Some are sold to people who are willing to camp out all night and wait in line until the box office opens. You could say that those tickets are being allocated by seniority - first come, first served.

Scalping: “Selling two. Who needs two?”

Even after a game is sold out, some people still manage to get tickets by dealing with a “scalper.” A scalper buys tickets in the conventional way, at face value, and then sells them at a higher price. How high? That depends on how badly people want to see a particular game.

Writer and economist Bob Graboyes points out that scalpers raise some interesting issues:

“To an economist, a scalper is performing a service. He’s offering tickets to people willing to pay the price. How ever much you may dislike scalpers, their customers are happier with the tickets





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than they were with the money that they spent on the tickets. I used to live in New York City; in the theater district, scalpers were highly sought-after folks and produced a lot of satisfied customers.

“Interesting thing – the more effective the anti-scalping laws, the more the scalpers charge. Some city out west (Phoenix, I think), took a novel approach. At first they banned scalping and, predictably, the scalpers reaped astronomical prices. Then they changed the law – they legalized scalping but forced scalpers to operate in a centralized location. Just as economic theory would predict, the prices plummeted. Why? Because customers had choices of vendors. Before, they didn’t know whether their scalper was the last one in town with tickets. In the centralized market, they can do comparison shopping.”

Which raises the “information” issue. Buyers who have more complete information will always have an advantage when it comes to obtaining a better price.

Try This Exercise:

Identify four scarce resources and describe the best method for allocating each.





5.6 Elasticity: It's a Snap

Price elasticity of demand relates to the question of how consumers respond to a change in price. Will they cut back their purchases a lot or just a little when the price of an item rises?

Calculating the price elasticity of demand is not as complicated as it sounds. You just need to know two things:

- 1) the percentage change in the price, and
 - 2) the percentage change in the quantity that consumers demand.
- Then just divide the percentage change in quantity by the percentage change in price.

If the resulting number is greater than 1, demand is said to be elastic. If it is less than one, demand is inelastic. (Economists try to keep things simple by always stating the result as an absolute value – a positive number.)

Here's an example that looks at the overall elasticity of demand for Major League Baseball tickets:

- The average price of a baseball ticket rose from \$13.59 in 1998 to \$14.91 in 1999. That's a 9.7 percent increase.
- Major League Baseball attendance (quantity) fell slightly from 70.60 million in 1998 to 70.35 million in 1999; a decrease of approximately 0.35 percent.
- $-0.35 / 9.70 = -0.036$ (convert the negative number to absolute value = 0.036)
- 0.036 is a lot less than 1, so overall demand appears to be very inelastic.

But demand varies quite a bit from one market to another. Just look at a fairly weak market like Montreal, where the average price of an Expos ticket dropped to \$9.38 – a 6 percent decrease – and attendance still fell by 15.5 percent.

And at the other extreme is Boston, one of the strongest (and most expensive) baseball markets in either league. The average price of a Red Sox ticket rose 16.6 percent in 1999 (to \$24.05), yet attendance still climbed by nearly 5.7 percent.

