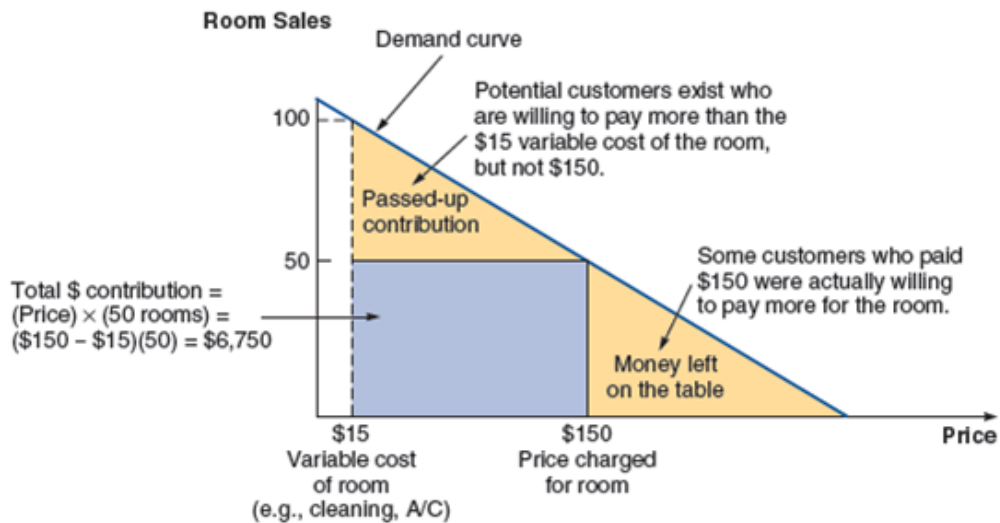


Using Revenue Management to Set Orlando Magic Ticket Prices

Revenue management was once the exclusive domain of the airline industry. But it has since spread its wings into the hotel business, auto rentals, and now even professional sports, with the San Francisco Giants, Boston Celtics, and Orlando Magic as leaders in introducing dynamic pricing into their ticketing systems. Dynamic pricing means looking at unsold tickets for every single game, every day, to see if the current ticket price for a particular seat needs to be lowered (because of slow demand) or raised (because of higher-than-expected demand).

Pricing can be impacted by something as simple as bad weather or by whether the team coming to play in the arena is on a winning streak or has just traded for a new superstar player. For example, a few years ago, a basketball star was traded in midseason to the Denver Nuggets; this resulted in an immediate run up in unsold ticket prices for the teams the Nuggets were facing on the road. Had the Nuggets been visiting the Orlando Magic 2 weeks after the trade and the Magic not raised prices, they would have been “leaving money on the table” (as shown in Figure).

Figure Hotel Sets Only One Price Level



As the Magic became more proficient in revenue management, they evolved from (1) setting the price for each seat at the start of the season and never changing it; to (2) setting the prices for each seat at season onset, based on the popularity of the opponent, the day of the week, and the time of season (see the Video Case in Chapter 4)—but keeping the prices frozen once the season began (see Table); to (3) pricing tickets based on projected demand, but adjusting them frequently to match market demand as the season progressed.

TABLE An Example of Variable Pricing for a \$68 Terrace V seat in Zone 103

| OPPONENT POPULARITY RATING | NUMBER OF GAMES IN THIS CATEGORY | PRICE |
|-------------------------------|-------------------------------------|-------|
| | | |

| | | |
|----------|----|-------|
| Tier I | 3 | \$187 |
| Tier II | 3 | \$170 |
| Tier III | 4 | \$ 85 |
| Tier IV | 6 | \$ 75 |
| Tier V | 14 | \$ 60 |
| Tier VI | 9 | \$ 44 |
| Tier VII | 6 | \$ 40 |
| Average | | \$ 68 |

To track market demand, the Magic use listed prices on Stub Hub and other online ticket exchange services. The key is to sell out all 18,500 seats every home game, keeping the pressure on Anthony Perez, the director of business strategy, and Chris Dorso, the Magic's vice president of sales.

Perez and Dorso use every tool available to collect information on demand, including counting unique page views at the Ticketmaster Web site. If, for example, there are 5,000 page views for the Miami Heat game near Thanksgiving, it indicates enough demand that prices of unsold seats can be notched up. If there are only 150 Ticketmaster views for the

Utah Jazz game 3 days later, there may not be sufficient information to make any changes yet.

With a database of 650,000, the Magic can use e-mail blasts to react quickly right up to game day. The team may discount seat prices, offer other perks, or just point out that prime seats are still available for a game against an exciting opponent.