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E-COMMERCE REPORT

New Era of Ticket Resales: Online and Aboveboard

By BOB TEDESCHI

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THOUGH they have claimed the mantle of respectability ever since they jumped online in the late 1990's, ticket scalpers have not been able to shake their reputation as hustlers out to make a quick buck on sold-out shows. But with America Online, the tamest player on the Wild Wild Web, joining them, can legitimacy be far behind?

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Jamie Rose for The New York Times
A poster for AOL's ticket reselling service, displayed in the office of Geno Yoham (seen in reflection) who manages the sales.

Last week, AOL opened its Ticket Marketplace service on its City Guide pages, offering everything from a front-row seat to the Paul McCartney concert at Madison Square Garden in September for \$3,420, to a nosebleed view of the Rolling Stones at Comerica Park in Detroit on Wednesday for \$56.

Don't have \$3,420 to spare? You might try Ticketmaster, the official ticket merchant

for the McCartney show. The best seat available last week was four levels up and behind the stage, but it was a relative bargain at \$99.

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Tempted by the chance to see the Stones from afar for \$56? You should be; that is half the price offered for a comparable seat by Ticketmaster.

AOL doesn't actually sell the seats. Rather, it serves as the intermediary for two Internet purveyors that do, [TicketsNow.com](#) and [StubHub.com](#). Like the industry as a whole, both sites have enjoyed strong growth over the past year. And like the rest of the industry, both crave a more intangible asset, public acceptance as straight shooters. Such acclaim has so far eluded them, but they are hoping AOL's blessing might bring it within reach.

"We've been doing this for a while, and still people often ask, 'Is this legal?' " said Kenneth Dotson, chief marketing officer for TicketsNow in Crystal Lake, Ill. "The fact that AOL is making such a big splash with this is an indication to people that not only is this legal, but it's legitimate, and a great alternative if they can't get the tickets they want."

And don't call the business he is in scalping. "Secondary ticketing" is the industry's preferred term, though "online ticket brokers" or "ticket marketplaces" will also do nicely. "With the street-corner scalper, you have to pay cash, there's no way to get your money back and the guy won't be there after the game to help you if you've gotten a counterfeit ticket," Mr. Dotson said.

By contrast, he says, TicketsNow opens its site only to licensed ticket resellers, and screens them as an extra precaution.

Furthermore, he says, TicketsNow guarantees the authenticity of all tickets it sells - an important consideration for, say, a business executive who invites a prospective client to a baseball playoff or big musical event. Being turned away at the door might make a bad impression, and "just getting your money back doesn't solve the problem," he said.

Analysts and industry executives offer widely varying guesses as to the size of the online scalping market. The rosier estimate, of \$15 billion, appears bloated considering that Ticketmaster, the dominant primary ticketing company, sold \$5 billion worth of tickets last year. More conservative

calculations peg the market at closer to \$2 billion.

eBay, which analysts say is by far the biggest secondary-ticketing site, does not disclose ticket sales. Among [eBay's](#) ticketing competitors, TicketsNow projects sales to fall between \$125 million and \$150 million this year, while RazorGator, another ticket reselling site, expects them to top \$50 million. (StubHub, which is privately held, declined to give estimates.) The companies keep 10 percent to 25 percent of sales in transaction fees.

Whereas TicketsNow operates exclusively through brokers, eBay, StubHub and RazorGator allow anyone with a ticket to post it for sale. To guard against fraud, StubHub and RazorGator require sellers to give their credit card numbers and other information that can be used to penalize them.

That seems to be enough to scare away most scam artists. "I can count on one hand the number of times we've had a fraudulent ticket issue," said Jeff Fluhr, the chief executive of StubHub, which began in 2000. "If you want to sell fraudulent tickets, you're much better off doing it outside the venue on game day."

For honest sellers, online sites are a godsend, providing not only a huge pool of potential buyers but also a way to escape local or state restrictions on how much they can charge.

For example, whoever was selling that \$3,420 ticket to the Paul McCartney concert would be prohibited by Arkansas and Connecticut from charging residents of those states any more than the face value. In New York State the seller would be limited to a maximum premium of 20 percent. Of course, the seller would be free to charge whatever the market would bear in states with no antiscalping laws.

AOL's entry into secondary ticketing required a great deal of diplomatic finesse, according to Geno Yoham, who oversees both the company's City Guides and its ticketing business. AOL had already invested a lot of time and effort to persuade five ticketing giants, including Ticketmaster and Major League Baseball's [Tickets.com](#) site, to display their wares side by side, he said. Now it had to persuade those same established companies to work alongside scalpers.

"Consumers are demanding more options," Mr. Yoham said. "So we went to our primary ticketing partners and said, 'We have to react to that.' They're also reacting to that. They're doing it themselves."

Indeed, both Ticketmaster and Tickets.com have introduced secondary-ticketing efforts of their own in recent years, although their initiatives bear no resemblance to StubHub or TicketsNow. Rather, both companies allow holders of season tickets to sell them to other individuals, often on the teams' own Web site. Ticketmaster this fall is to extend the service to include nonsporting events, under a platform it has named Ticket Exchange. The new service would allow a venue to create its own online exchange or post secondary tickets alongside unsold seats on Ticketmaster.com.

Sites would earn an undisclosed commission on sales, but more important, said David Goldberg, the company's executive vice president of strategy and business development, they would save themselves headaches associated with fraudulent scalpers.

"They don't want patrons thinking they're purchasing a legitimate ticket elsewhere, only to find out at the door that it's not," he said. "A lot of them just want to clean up the business."

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