

# Analyzing the Realistic Dilemmas and Countermeasures of the Secondary Market of Performance Ticketing Based on the PEST Model

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**Abstracts:** The cultural and entertainment market is an important part of the national economy and an important manifestation of social civilization, and the influence of the secondary market for performance tickets on the cultural industry is complex and subtle. The structure of the ticketing market affects the competitive pattern and market distribution of the performance industry, and the scale, price and channels of the ticketing market will, to a certain extent, also affects the supply and demand, quality, innovation and benefits of performances, so it can be said that the ticketing market is an important part of the cultural and entertainment performance industry. According to the data monitoring of the ticketing information collection platform, in the first quarter of 2023, the number of national business performances (excluding entertainment performances) was 68,900, and the number of tickets sold for concerts and music festivals exceeded 1.1 million. The entertainment industry is thriving, and with it, scalpers are becoming increasingly rampant. "TFboys" concert front row tickets sold for 2 million yuan, "Mayday music fans battle scalpers" news frequently on the hot search, the secondary ticketing platform "jump ticket" problem. The problem of "jumping tickets" on the secondary ticketing platform is frequent, and idle trading platforms have given rise to a large number of "professional robbers". All kinds of chaotic phenomena attract attention. This paper will analyze its causes from the economic point of view, the use of PEST (politics, economy, society, technology) model to analyze the external market environment, only to find out the crux of the problem in order to prescribe the right medicine.

**Keywords:** Secondary Market For Performance Tickets; Scalping; Cultural Performances; Pest Model; High Quality Construction

## 1. Introduction

Ideally, the performance ticketing market should reach a clear state, with the number of tickets on sale meeting the demand of targeted consumers. However, in real life, it is often difficult to find a ticket or there is no way to get a ticket, and the allocation of resources cannot reach the ideal state, i.e. market failure. The theory of market failure points out that market prices cannot automatically adjust the balance between supply and demand of products, and resource allocation cannot automatically reach an efficient state [1]. The "scalping economy" is also a kind of market failure phenomenon, in the background of limited resources, scalping party with its tenacious vitality repeatedly prohibited, the economic principles behind it is worth investigating.

### 1.1 Definition of the Secondary Market for Performance Ticketing

Ticketing, as a key part of the performance front-end market, has formed a diversified pattern with primary professional ticketing organizations as the mainstay, secondary ticketing organizations as a supplement, and coexistence of ticketing by performance organizations and performance venues. Compared with the official direct sales and fixed ticket prices in the primary ticketing market, the secondary ticketing market is a kind of sales process, the core of which is to purchase at the issue price and transfer the tickets according to the dynamic pricing of market supply and demand in order to earn the

difference in price, which generally consists of online secondary ticketing platforms (such as barley.com, Ferris wheel and ticketmaster.com in China, and the influential platforms in foreign countries are Stubhub and Ticketmaster) and offline retail agents (commonly known as "agent retailers"). The agent retailers (commonly known as "scalpers") constitute.

The asymmetric relationship that exists between the subjects of cultural supply and demand leads to an imbalance in cultural services, and the essence of the existence of the secondary ticketing market for performances is a market adjustment mechanism that reflects changes in the relationship between supply and demand. Often supply exceeds demand due to the contradiction between commodity hotness and market scarcity, the seller uses information asymmetry to obtain tickets through multiple channels, resulting in an imbalance between supply and demand among consumer subjects, and then sells the ticket resources at a high price as a rational economist pursuing profit maximization, thus obtaining a huge arbitrage space; however, if the primary ticketing market has sufficient tickets, the buyer, out of the authority and risk avoidance consideration, the secondary ticketing If the stock of tickets in the market exceeds the purchasing power of consumers, the phenomenon of supply exceeding demand will occur<sup>[2]</sup>.

Compared to the primary market with narrow economic deployment channels and monolithic formal ticketing channels<sup>[3]</sup>, the secondary ticketing market adopts a free bidding mechanism to redistribute tickets to people of different consumption tiers, so as to satisfy the diversified needs of consumers, improve the surplus value of consumption and the level of social welfare, so as to make a better allocation of the limited supply resources, increase the efficiency of the utilization of ticketing resources, and further realize the "Pareto optimization"; it can also be regarded as a quality signaling mechanism, which reflects consumers' expected cognition and evaluation of performance content, quality and value, plays the role of information transmission, further realizes the quality screening, and makes the organizers pay more attention to the performance quality and reputation word-of-mouth.

## 1.2. Transaction Risk Exists in the Secondary Market for Performance Tickets

The existence of a secondary ticketing market is both legitimate and controversial. The secondary market for performance tickets is also a form of price manipulation and risky investment behavior. The supply and demand of the secondary market is affected by multiple factors, and some speculators use the advantage of the information they obtain to deliberately expand the contradiction between supply and demand and create price fluctuations by means of hoarding and price-boosting, thus obtaining huge profits and disrupting the market economic order<sup>[4]</sup>; coupled with the lack of an effective regulation and certification mechanism in the secondary market, the unscrupulous elements touting for fake tickets to defraud consumers not only affects the rights and interests of the consumers, but also damages the reputation of the organizer and the Crisis of confidence<sup>[5]</sup>.

With the gradual expansion of the "scalpers", the secondary market has a certain say in the performance market, and if left unchecked and allowed to develop, it may seize and squeeze the sales space of the primary market due to conflict of interest, interfere with or undermine the ticketing strategy and pricing mechanism of the organizers or official channels, and reduce the income of the primary market and the control of ticket prices. At the same time, it will also stimulate capital to produce more commercialized, popularized and entertaining works to meet market demand, while neglecting cultural diversity, innovation and inclusiveness, which will lead to the homogenization, banalization and shallowness of the cultural system, and weaken the connotation and spiritual value of culture.

## 2. Analyze the Macro Environment of the Secondary Ticketing Market Based on the PEST Model

The above analysis from the perspective of economics concludes that the "scalping economy" is the product of supply shortage, supply rationing, price discrimination, strong demand and structural imbalance of supply and demand<sup>[6]</sup>, these factors constitute the economic causes of the social phenomenon of "scalping". For the current development of the secondary market for tickets, in addition to

internal analysis, taking into account the characteristics of the performance ticket is particularly sensitive to changes in the external environment, the PEST model is used to analyze the macro-environment of the secondary market for performance tickets by taking the four external factors, namely, political (P), economic (E), social (S) and technological (T) as the entry point. The PEST model is an effective tool for analyzing the macro business environment, which can help to identify the key factors that have the greatest impact on the market from a wide range of external factors, and to assess the opportunities and threats facing the secondary market for performance ticketing, so as to improve strategic acumen.

### **2.1 Policy Environment Analysis - Lack of Industry Feasible Standards for Many Government Regulatory Difficulties**

In order to further standardize the performance market management order, the Ministry of Culture and Tourism General Office issued "on further strengthening the performance market management to standardize the performance market order of the notice", which mentioned that the performance organizers and performance ticketing business units to the market to sell the number of tickets openly to the market of not less than 70% of the number of approved audience. This policy effectively combats scalping and internal collusion with the organizers, assists the organizers in price control, ticket hoarding and dumping, effectively protects the rights and interests of consumers, and promotes the high-quality development of the cultural market.

In fact, although it has been delineated that the number of tickets sold to the public shall not be less than 70% of the baseline, but there is still 30% of the operable ticket space. For the remaining 30% how to ensure that the best use of 70% of the tickets sold legal transfer, although there are policies and regulations, but the punishment is limited, the law enforcement agencies can only penalize the obvious cases of violation of the law, it is difficult to effectively regulate a large number of hidden transactions. The secondary market involves multiple subjects and multiple platforms and a variety of trading methods, and the current regulatory approach is mostly static, after-the-fact supervision, difficult to capture

and increase the difficulty of law enforcement. And the existing policies and regulations only emphasize the crackdown on penalties, while ignoring the incentives to actively guide agents to regulate business.

The "Performance Ticketing System Service and Technical Specifications"(WH/T 93-2021)provides for the management of performance ticket prices, the division of performance ticket prices, the management of sales policies, and the management of real-name ticketing, etc, but the content is brief, and it does not differentiate between the ticketing market and the main body of the ticketing business, and there is a lack of market access for agents, so that any person can engage in the resale of tickets, and it is difficult to pursue responsibility. Resale ticket price fluctuations have not been stipulated appropriate and reasonable range, unable to cope with the ticket market continues to emerge new forms of new modes of business, the relevant departments to jointly rectify the "ticket speculation" stubborn lack of practical standards, the regulatory authorities are difficult to effectively identify and trace violations, not conducive to restricting the behavior of the market players.

### **2.2 Analysis of the Economic Environment - Show Schedule Clash Costs Rise Sharply**

From a macro perspective, in the first half of 2023, per capita consumer spending reached 12,739 yuan, a nominal year-on-year increase of 8.4%, and per capita consumer spending in the field of education, culture and entertainment reached 1,205 yuan, an increase of 16.2% over the previous year, accounting for 9.5% of the per capita consumer spending. Business performances in large-scale music festivals and concerts, for example, according to the China Performing Arts Industry Association statistics, May 1, 2023, such large-scale performances across the city tickets to see the proportion of up to 50% or more, according to the comprehensive drive index calculation, five days of the holiday, in addition to music festivals and concerts to pull the project box office, transportation, accommodation and other comprehensive consumption scale are more than 1.2 billion yuan, showing a strong cultural tourism Consumption driven effect.

The "recovery spending boom" in the

entertainment industry is partly the result of the release of the backlog of postponed projects during the epidemic. However, intensive performance activities will undoubtedly intensify the competition for the use of venues, performance equipment and ancillary facilities, the organizers in order to capture market share to obtain a first-mover advantage, to pay higher artist invitation fees to ensure the quality of the performance in order to strive for more viewers, to increase the cost of inputs, and the official ticket prices have also risen, how to ensure the quality of performances under the resource constraints, and at the same time, appropriate control of various types of cost expenditures, and achieve a balance of income and expenditure has become a major issue in front of the organizers. How to ensure the quality of performances under resource constraints, while appropriately controlling various types of costs and expenditures to achieve a balance between income and expenditure has become a major challenge in front of the organizers. The primary ticketing market for the transfer of commercial risk, in advance, part of the high-quality seat tickets, wholesale to the secondary agents, scalpers pour tickets more easily, the interests of the two conspire, mutual benefit, prompting the "ticket black market" to further expand, the final price is paid by the consumer.

### **2.3 Analysis of the Social Environment - the Number of Consumer Complaints Climbed**

In the post-epidemic era, the normalization of cultural and entertainment activities is seen as a signal to return to normal life, and consumers pay more attention to the value of life as well as spiritual pleasure, and the pursuit of spiritual abundance has become a new life orientation<sup>[7]</sup>. According to the data monitoring and analysis of the performance ticketing information collection platform of China Performance Industry Association, in the first quarter of 2023, the number of national commercial performances (excluding performances in entertainment venues) was 68,900, an increase of 95.42% over the same period of last year; the box office revenue of performances was 4.980 billion yuan, an increase of 110.99% over the same period of last year; and the number of people who watched the performances was 21.8522

million, an increase of 142.96% over the same period of last year 142.96%.

The rapid expansion of the secondary market has also exposed many problems, leading to a high number of consumer complaints. According to the "618" Consumer Rights Public Opinion Analysis Report" recently released by the CCA, during the 20-day monitoring period, the number of negative information about "performance ticketing" was as high as 10,978,844, of which Keywords such as "difficult to refund tickets", "difficult to transfer tickets" and "subject to fraud" appeared most frequently, and the peak of public opinion was mainly centered on the suspected "bouncing tickets" of Songshan Music Festival, and the "bouncing tickets" of Songshan Music Festival. "The peaks of public opinion were mainly centered on the suspected "ticket skipping" of Songshan Music Festival and abnormal orders for Mayday concerts. These problems not only harmed the economic interests of consumers, but also affected consumer satisfaction and trust, and lost confidence in performance culture affecting the innovation and enhancement of this type of industry and many other negative effects.

### **2.4 Analysis of the Technical Environment - There are Regulatory Challenges in Ticket Traceability**

Technical specification is a key factor in improving the functionality, reliability, security and ease of use of the system. With the development of Internet technology, transactions in the secondary market of performance tickets are mostly concluded online, and consumers can quickly inquire, compare, purchase or transfer performance tickets through various platforms, such as mobile applications, WeChat apps, websites and public numbers.

However, there is still some room for progress in the current technology, and some secondary ticketing platforms do not have the ability to cope with the impact of peak traffic, resulting in some of the "explosive" performances in the opening of the ticket page loading timeout, unsuccessful ticketing requests, slow response time, etc.; there is also asymmetry of information between different secondary ticketing platforms, There is also information asymmetry, price inconsistency, and different quality of services between different secondary

ticketing platforms, and consumers are at a disadvantage in the transaction without any way to protect their rights.

At present, there is a proliferation of scripts and software for ticket brushing, and the phenomenon of scalpers using technical means to brush tickets in bulk is endless, so how to accurately locate the "big ticket hoarders" is the key to combating malicious ticket snatching; the audience relies on scanning the two-dimensional code on the paper or ticketing interface to verify their identities, and the offline scalpers take imitation fake tickets or invalid two-dimensional code to cheat the audience. Users' rights and interests are violated because they do not have the ability to recognize the authenticity of the tickets. Consumers can avoid these problems if they can track the source and flow of tickets on their own, but ticket traceability is a complex issue involving the interests and security of many parties, and it is necessary to trace the tickets at the technical level, i.e., to be able to track the whole process of the tickets from issuance to circulation to use, and to ensure that the tickets are unique and verifiable.

### **3. Countermeasures to Promote Compliance Governance in the Ticketing Market**

#### **3.1 Multi-sectoral Regulatory Governance**

Market regulators around the world are strengthening their focus on online ticketing platform operators as the core subject of industry chain supervision, establishing dynamic monitoring and rapid processing mechanisms to promptly identify and resolve illegal and illicit problems in the secondary ticketing market and protect consumer rights and interests. At the same time, through network inspection, information collection, business counseling, and publicizing the results of penalties, it has formed a closed-loop supervision of the whole process, from the discovery of problems, to handling feedback and subsequent rectification.

With regard to the construction of regulatory mechanisms, the new regulatory model of "double randomness and openness" has been promoted in depth to maintain the randomness of regulation while increasing transparency. We will make use of "Internet+Regulation" to achieve online and offline integration of regulation, and continue to expand emerging

technologies such as big data analysis and artificial intelligence to enhance the level of specialization, refinement and intelligence of regulation, and improve the efficiency and coverage of regulation. In addition, we will actively explore a regulatory mechanism based on the credit of market entities, provide incentives and guidance to creditworthy entities, and penalize non-creditworthy entities, in order to guide the self-discipline and law-abidance of ticketing entities.

Local cultural and tourism departments should work together with market supervision, public security and other departments to form a coordinated mechanism for inter-departmental cooperation. Clearly define the joint inspection, information notification, case transfer and other collaborative methods, improve the joint interviews, law enforcement assistance and other systems to achieve efficient inter-departmental linkage. Explore cross-departmental ticketing information fusion and sharing platforms to broaden regulatory perspectives and improve regulatory effectiveness. Study and introduce stricter management measures, plug legal loopholes and improve the regulatory mechanism.

#### **3.2 Win-win Cooperation in Primary and Secondary Markets**

Moderate market stratification is conducive to economic development, and the degree of market stratification is related to the nature of the product<sup>[8]</sup>. Scholar Liu Chong concluded through the establishment of theoretical models: due to the primary market price control and the limitations of the upper limit of ticket sales, the greater the cost of selling tickets and the limitations of the sales volume, the smaller the size of the secondary market of tickets, the more favorable to consumers<sup>[9]</sup>, and the secondary market tends to understand consumer preferences better, if you can open up the channel between the primary market of the performance tickets and the secondary market, and the two collaborate with each other to achieve win-win situation for all parties. Li Mingwei analyzed that this will help the upstream organizers and ticketing companies to more efficiently go to the marketing and promotion and ticket sales work, but also can solve the industry is not standardized and other issues. The upstream

can have a good market environment, and consumers located in the downstream will be able to buy tickets for the shows they want to watch at a more reasonable price, "which will be a very mainstream way."

The performer cooperates with the secondary market, provides part of the ticket source, allows the secondary market to operate legally, and jointly meets market demand. Establish a good benefit distribution mechanism, according to the risk and contribution borne by the primary market and the secondary market in the ticket transaction, reasonably determine the proportion of income and the way of sharing between the two sides, the performer can get the commission share of the secondary transaction, expanding the profit channels, and the secondary platform can also get part of the revenue, so as to incentivize both sides to cooperate and achieve a win-win situation. Establish an effective information sharing mechanism, strengthen the data exchange and analysis between the primary and secondary markets, grasp the supply and demand of tickets for performances in a timely manner, adjust ticket prices and inventory strategies, and optimize ticket distribution and circulation efficiency. If all parties can cooperate and complement each other's strengths, the standardized and orderly development of the ticketing market can be promoted, and a win-win situation for performers, secondary platforms and consumers can be realized.

### **3.3 Implementation of the Principle of Skewed Consumer Protection**

Enhance the sense of service, pay attention to the characteristics of the strong information supply capacity of the consumer group, the establishment of perfect consumer complaint channels, and ensure that consumers enjoy the right to fully express their demands, collect and process the effective information of the consumer feedback, reduce the burden of proof on the consumer, and make "every piece of the right to do". The market update iteration is often based on consumer feedback to make progress, play the power of the masses to allow consumers to participate in the market co-management, the emergence of major consumer complaints ticketing platform, market supervision and management departments should be timely interviews or inspections.

Since the promulgation of the Consumer Rights and Interests Protection Law in 1993, the concept of skewed consumer protection has been deepening. In the secondary ticketing market, in order to balance the power contrast between different groups, for the market manipulation of the "weak information" to adopt the principle of tilted protection, better reflect the value of humanistic thinking, making the interests of different social groups more harmonious relations, to avoid the economic benefits overriding the social benefits, which is important to China's building of This is of great significance to the construction of harmonious and stable social relations and the maintenance of fair competition in the market economic order in China.

### **3.4 Digitally Enabling the Whole Process of Ticket Circulation**

If you want to open up the primary market and secondary market of tickets, prompting the two to collaborate with each other and ultimately realizing a win-win situation for all parties, ticket tracking and supervision is a key issue that must be solved. In order to effectively prevent the counterfeiting, selling and speculation of tickets, a perfect performance ticket tracking mechanism can be established with the help of blockchain technology to realize the whole monitoring and management of tickets. Because from the perspective of ontology, blockchain is essentially a "narrative" technology, the biggest advantage lies in the fact that every transaction can be traced from issuance to sale [10].

Using blockchain as the technical support, docking and collaborating with other related systems (e.g. organizers, venues, ticketing platforms, ticket inspection platforms, etc.) to jointly maintain the public ledger beforehand, and setting up restrictions on ticket transfers through smart contracts to stop sky-high prices at the source; obtaining real-time access to the use of performance tickets in real-time during the event to timely detect anomalies and take curbing measures, and the organizers can also obtain real-time access to the sale of tickets in real-time to control the number and price of tickets issued. The organizer can also obtain the real-time sales of performance tickets, control the number and price of tickets issued,

and sell tickets by seat, batch, and step; afterwards, it introduces a blacklist mechanism, and traces back the origin of abnormal users through the chain structure to carry out a certain punitive crackdown on the transaction, forming a complete ecological chain of performance tickets and achieving the effect of regulating the whole process of circulation of tickets. The 19th Hangzhou Asian Games will carry a ticketing system that applies blockchain technology to confirm the rights on the chain, and the organizing committee will cancel the orders that exceed the number of tickets.

#### 4. Summary

The existence of a secondary market may, on the one hand, satisfy the needs of some consumers and increase the audience rate and social benefits of performances, but on the other hand, it may also lead to excessive fluctuations in ticket prices, jeopardize the fairness and artistry of performances, and affect the healthy development of the cultural system. There are still a lot of problems in the current secondary market of performance ticketing. We should examine and analyze this phenomenon from various aspects, and we should not only see the opportunities and benefits it brings, but also be alert to the problems and risks it causes. By improving laws and regulations, strengthening supervision and law enforcement and other measures, we can standardize and guide the development direction of the secondary market of performance ticketing, so that it can better serve the entire cultural and entertainment industry and the public. Cultural performances should not become a luxury that the public is discouraged from attending, and the secondary market should be reorganized so that it can return to its public cultural attributes.

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