ICN Unilateral Conduct Workshop
Hypothetical Case Study

This hypothetical relates to exclusivity agreements to which TicketSling Pte Ltd. ("TicketSling") is a party. TicketSling is the leading provider of ticketing services in the fictional Commonwealth of Peranaka. The Peranakan Competition Authority ("PCA") has been examining whether those agreements constitute an abuse of dominance in violation of the Peranakan Competition Act (the "Act").

Ticketing service providers such as TicketSling act as middlemen between two groups of customers – event promoters and ticket buyers – by providing them a platform to buy and sell tickets for events held at various venues in Peranaka.[1]

The services provided by a ticketing service provider to event promoters and venue operators include access to a ticketing system for ticket sales, seat assignment (where applicable), and collection for a particular event, held at a specific venue, through a variety of distribution and sales channels, such as a telephone hotline, internet booking, authorized sales outlets, post offices, box offices, and other remote access electronic service delivery networks such as self-service automated machines.[2]

The agreements at issue (collectively referred to as the "Exclusive Agreements") are as follows:

- The Pandan Application Service and Ticketing Agreement ("PASTA") between TicketSling and The Pandan Co. ("Pandan"), the owner of 2 world class venues in Peranaka for theatrical performances, which contains explicit restrictions requiring all

[1] The ticketing services provided by providers such as TicketSling are so-called "open" ticketing services. The flexibility and customizability of open ticketing systems means that they are capable of meeting the ticketing needs of different types of event promoters and venue operators concurrently. By contrast, "dedicated" ticketing services are those systems that are built for a dedicated purpose (i.e., for use by a specific event, venue or activity) and provide specific ticketing needs on an ongoing basis. Dedicated systems cannot serve other ticketing purposes without significant modification. Examples of dedicated systems are those used in certain cinemas and by public transport systems.

[2] Some ticketing service providers also provide several other value-added services such as marketing and promotional services via email advertising, website advertising, and other promotional collaterals such as brochures and events guides.

events held at the Pandan venues to use TicketSling as the sole ticketing service provider. The contract was signed 7 years ago in 2005, and has 3 more years to run;[3]

- The Chi Peranaka Stadium Services Agreement ("CHIPSSA") between TicketSling and the Chi Peranaka Stadium ("CHIPS") which contains explicit restrictions requiring all events held at the CHIPS, to use TicketSling as the sole ticketing service provider for the first 7 days of ticket sales. The contract was renewed 3 years ago, and has 2 years left to run; and

- The Shiok Usage and Promotion Agreement ("SUPA") between TicketSling and the leading event promoter Shiok Entertainment ("Shiok"), containing explicit restrictions which require Shiok to use TicketSling as the sole ticketing service provider for all their events. The contract has a 3 year term with 1 year left to run. As a condition of agreeing to long term exclusivity, Shiok secured substantial discounts of 20% off TicketSling standard prices; Shiok also required that it could cap the booking and handling fees that TicketSling charges ticket buyers at P$3, i.e., the levels at the time of signing of the contract. (There are no such restrictions on TicketSling regarding the PASTA and CHIPSSA contracts.)

In more detail, the facts of the case are as follows.

The ticketing services, the events industry, and ticket buyers in Peranaka

The ticketing services industry in Peranaka refers to the provision of ticketing services for a variety of ticketed events. Ticketed events fall into the following 3 main genres: events (rock concerts, major expositions and larger events of any kind); sports (stadiums of any kind); and "other" which covers leisure, culture, education (amusement parks, zoos, museums, monuments), performing arts (theatres, concert halls, operas) and cinemas.

The ticketing services industry in Peranaka comprises four main players: TicketSling, ChingayTickets, TicketLibertas, and Alamak Ticket Network ("ATN"). TicketSling has no structural links to other market participants. However, the CHIPS had a 50% stake in TicketSling until last year, when the stake was sold out to an independent equity fund.

All but ATN of the ticket service providers have their own proprietary ticketing systems. Ticketing systems are also available from third party providers. One such provider, HopTix, offers a ticketing system to venues that wish to "self-ticket" (i.e. provide their own ticketing services) and to other ticket service providers without their own proprietary systems (some of which are located in countries neighbouring Peranaka).[4] HopTix licensed its system to ATN two

[3] Under Peranakan competition law efficiencies can be argued as 'objective justification' for any alleged infringement and, as set out below at Appendix 5, the parties argue that the 10 year agreement was struck because both Pandan and TicketSling wanted to develop a state-of-the-art ticketing system

[4] The most common form of dedicated ticket service provision in Peranaka relates to cinemas and leisure and culture venues (e.g. museums and zoos) which self-ticket. Self-ticketing is rare in the events genre.

years ago, allowing ATN to offer ticketing services for the Peranakan Grand Prix in that year (losing out to TicketSling the following year).

Open ticketing service providers are able to cater for different types of events and venues. Event promoters use open ticketing service providers. Typically, event promoters pay ticketing service providers some fixed fees (e.g. ticketing administration fee) as well as some variable fees (usually dependent on the number and face value of tickets sold). Apart from the fees structure, event promoters look for the following characteristics in their ticketing service provider: attractive and accessible sales outlets for ticket buyers; strong call centre support, including the ability to cope with high call volumes (in particular for events such as rock concerts where there is high demand for tickets focused in a short time window); and security against ticket forgery.

Shares of supply of open ticketing services (i.e. excluding self-ticketing) in terms of overall tickets sold (for all events and split by each of the main genres) in Peranaka are set out below:

Table 1: Ticketing Service Provider shares of open ticket volumes by event genre, 2011

	Events	Sports	Other	All Genres
TicketSling	80%	88%	75%	**82%**
TicketLibertas	10%	4%	12%	**8%**
ChingayTickets	7%	0%	11%	**5%**
ATN	3%	8%	2%	**4%**
Total	100%	100%	100%	**100%**

If tickets sold through self-ticketing were included, TicketSling's share in 2011 in the "Other" genre, which includes the Leisure, Culture and Education, Performing Arts and the Cinemas segments, would be below 25%; further, TicketSling's overall share of tickets sold across all genres, would be around 50% (although its share would be hardly changed in the Events and Sports segments).

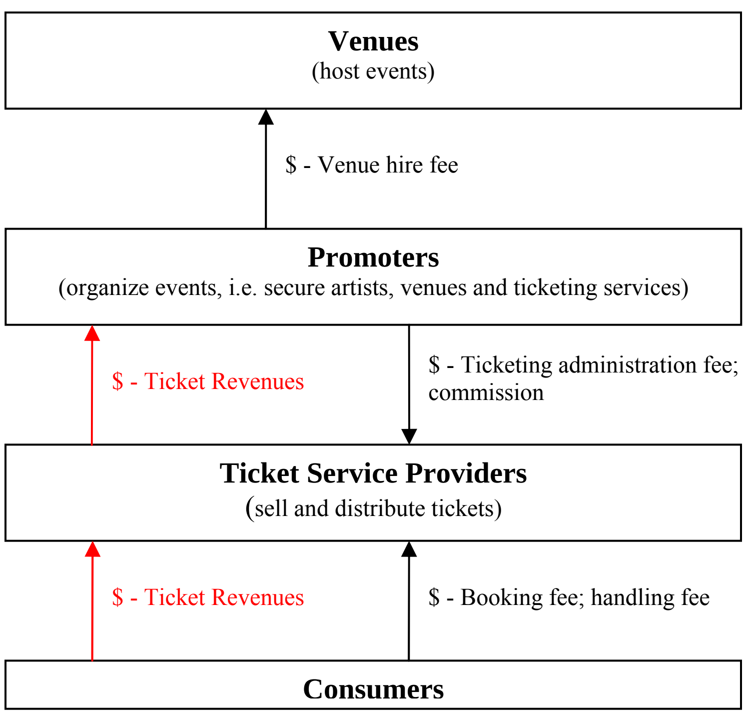
Table 2: Ticketing Service Provider shares of total open ticket volumes, 2009-2011

	2009	2010	2011	Total (2009-2011)
TicketSling	88%	74%	82%	**81%**
TicketLibertas	7%	7%	8%	**8%**
ChingayTickets	5%	5%	5%	**5%**
ATN	0%	14%	4%	**6%**
Total	100%	100%	100%	**100%**

Ticket buyers pay ticketing service providers a booking fee and a handling fee (which varies depending on the mode of collection of the tickets). Ticket buyers, when surveyed, indicate four main considerations are important when choosing a ticket seller, namely that the ticket service provider: offers a ticket for the event that they want to attend (valued as important or very important for 90% of those surveyed); offers a convenient way to obtain tickets (75%); sets low booking and handling fees (50%); and offers a wide range of events (34%).

The industry structure is summarized in the chart below.

Figure 1: Industry value chain and payment flows



Promoters arrange events. For example, they book both the artists and the venue where the event will be held. The top 5 promoter shares of total ticket volumes (excluding those sold by self-ticketing venues) sold in Peranaka in 2011 are set out in the following table. CHIPS and Pandan are promoters as well as venue owners (they promote events held at their own venues).

Table 3: Top 5 promoters, 2011

Shiok	30%
Global Promotions	18%
ArenaPromo	15%
CHIPS	12%
Pandan	5%
Others	20%

Note: Shiok share of 30% comprises 15pp from events held at the CHIPS, 10pp from events held at Pandan and the remaining 5pp from events held outside the CHIPS and Pandan. A further 13% of overall tickets are promoted at either the CHIPS or Pandan by promoters other than Shiok, CHIPS or Pandan

Promoters and ticket buyers consider that venues can be classified according to whether they are "world-class", "premium" or "non-premium", which classification depends on a range of factors including seating capacity, prestige/reputation, accessibility of location, standard of technical equipment (e.g. lighting, sound, etc.), technical support, and quality of venue facilities (e.g. parking, food and beverage service, etc). In the following table, the top 5 leading venues by genre are set out (organized in order of importance in terms of ticket sales). Two stars indicate a world-class venue, a single star means a premium venue.

Table 4: Top 5 venues by event genre, 2011

Events		**Sports**		**Other**	
CHIPS**	37%	CHIPS**	55%	Pandan**	70%
Pandan**	17%	New Moon Circuit**	35%	Peranakan Grand Forum*	7%
Peranakan Grand Arena*	13%	The Grove	4%	Peranakan Grand Arena*	6%
Peranakan Grand Forum*	11%	The Lane	3%	The Amphitheatre	4%
The Amphitheatre	5%	Kampong Polo Club	2%	CHIPS**	2%
Others	17%	Others	1%	Others	11%

Note: The table does not include venues that self-ticket, such as SilverScreen, the largest chain of cinemas in Peranaka.

In the previous year, approximately 75% of TicketSling tickets were sold under the Exclusive Agreements with the Pandan, CHIPS and Shiok (i.e. approximately 60% of all tickets sold in the market, excluding self-ticketing).

The Complaint

Ticket service provider ATN has complained that TicketSling is dominant in the market for the provision of ticketing services in Peranaka and that the Exclusive Agreements have foreclosed ATN from the market, to the detriment of promoters and consumers. Promoter Global Promotions has also complained that it pays higher prices (i.e. higher commission and ticketing administration fees) in Peranaka than in other nearby countries and has no real choice but to deal with TicketSling.

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Appendix 9: Extract from ATN internal strategy presentation: "Peranaka Entry Analysis"

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Appendix 1: **Extract from PCA report summary of industry stakeholders**

Ticketing service providers

TicketSling

TicketSling is a company incorporated in the Commonwealth of Peranaka. It was set up in 1991 by the CHIPS. However, it no longer has any structural links to the CHIPS or other industry stakeholders.

Prior to 2005, TicketSling had used a third-party ticketing system licensed from a Japanese provider. In 2005, TicketSling developed its "SlingTix" ticketing system in collaboration with Pandan. The total cost of developing the new system was P$12 million. Some features of the system were implemented purely for the purpose of serving the requirements of Pandan – in particular, in relation to software that could not be used with any other venue. The cost of these Pandan specific features was P$5 million. Ongoing development and upgrading of the ticketing system has involved, and is expected to continue to involve, fixed expenditure of P$3 million each year by TicketSling. One third of this expenditure relates to maintaining the Pandan specific features and undertaking Pandan specific promotions.

TicketSling is the leading provider of open ticketing services market in Peranaka. TicketSling has the exclusive rights to sell tickets for all events held at the Pandan, and for the first 7 days for all events held at the CHIPS. In addition, TicketSling has an exclusive agreement with Shiok.

TicketLibertas

TicketLibertas is a global ticketing company headquartered in the United States which provides ticketing solutions and services in around 20 countries. TicketLibertas had a market share of about 8% of the total number of tickets sold in Peranaka from January 2009 to December 2011.

TicketLibertas has the technical capability to provide ticketing services for the full range of event types, including both general attendance events (such as museum, gallery and zoo visits) and individualized seating and timed events (such as theatre performances).

However, TicketLibertas's physical distribution network is more limited than that of TicketSling. It has few of its own bespoke ticketing outlets and automated tellers and relies heavily on authorized sales agents and it has limited call centre capacity in Peranaka which has led it to develop a reputation for having inferior customer service.

TicketLibertas is currently considering expanding its website and increasing the number of dedicated ticket booths to improve convenience for ticket buyers. TicketLibertas estimates that the total cost of the expansion program to be in the region of P$3.5 million. This cost it estimates would only be warranted if supplied an additional 200,000 tickets per year for the next 3-4 years given prevailing ticketing margins.

ChingayTickets

ChingayTickets was set up in April 2005 by a group of artists, performers and IT entrepreneurs in Peranaka. Historically, its focus was on providing ticketing services to the performing arts industry in Peranaka. In March 2008, it was acquired by its former management and a hedge fund. ChingayTickets had a market share of about 5% of the total number of tickets sold in Peranaka from January 2009 to December 2011.

Although ChingayTickets has the technical capability to provide ticketing services for the full range of events, its ticketing security systems are relatively rudimentary, which has in the past led to instances of ticket forgery with consequent inconvenience for the promoters, venues and customers it has supplied. Moreover, its lack of state of art security systems has prevented ChingayTickets for competing for the more lucrative sports and other premium event classes. ChingayTickets estimates that the cost of upgrading its security systems would be P$2 million, which cost cannot be justified on the basis of its current ticket volumes.

ATN

ATN is a ticketing service provider that has worked with HopTix (see below) to provide ticketing services for the Peranakan Formula One Grand Prix in 2010. Although ATN was considered by HopTix as its sub-contractor for ticketing of the Grand Prix event, it undertook duties of a typical ticketing service provider such as organizing the call centre services, outlet distribution and other operational aspects of ticketing. ATN has worked with HopTix by utilizing HopTix's distribution platform and access control technology (the "*Turnkey System*") to provide ticketing services for other events such as the Peranakan Air Show. ATN had a market share of about 6% in terms of the total number of tickets sold in Peranaka from January 2009 to December 2011. ATN's system crashed on the first day of Grand Prix sales, as it underestimated the volume of ticket sales. As a result, the contract to provide ticketing services for the Grand Prix was awarded to TicketSling in 2011.

<u>Ticketing system suppliers</u>

HopTix (Peranaka)

HopTix is a business registered in Peranaka in 2007 as the Peranakan arm of HopTix Network, Inc, which is a global ticketing solutions provider based in Australia. It is privately owned and funded by several investment firms. It is a system developer, integrator, and consultant specializing in comprehensive turnkey solutions for ticketing, reservations, pre-sales, internet sales, access control, retail point-of-sale and inventory control operations.

HopTix, through its *Turnkey System*, claims to be the first and only company capable of offering complete and integrated ticketing solutions (hardware and software) to all segments of the market: sports; events; and "other".

HopTix has developed customized ticketing systems for its clients and sold them the proprietary rights to run and manage these customized systems, i.e. HopTix provides systems that allow venues to self-ticket. There are numerous examples of dedicated systems created by HopTix currently being used in Peranaka, such as the Peranakan Science Center, the Peranakan Zoo and ScreenGem cinemas.

HopTix also supplies systems that allow ticket service providers to supply open-ticketing services; it does so in several countries neighbouring Peranaka. HopTix provided the system for ATN which in turn allowed ATN to provide open ticketing services for events such as the Peranakan Grand Prix and the Peranakan Air Show. Following the system crash on the first day of Grand Prix sales, HopTix made a public statement denying that its *Turnkey System* has any shortcomings. Instead, it attributed blame for the crash to ATN on the basis that ATN had under-estimated traffic load at the operational level, and had accordingly not purchased enough capacity from the Peranakan telecoms operator to allow its call centre to service the initial demand for Grand Prix tickets.

Venue operators

Pandan

Pandan is a world-class events and performing arts venue in Peranaka. The Pandan consists of two main performance spaces, which are available for hire – one for large scale events, the other for performing arts:

- the Pandan Events Arena (seating capacity of 8,000)
- the Pandan Performing Arts Studio (seating capacity of 2,000)

Based on number of tickets sold, about 25% of all events held at the Pandan venues from January 2009 to December 2011 were organized by Pandan itself. From this perspective, Pandan is simultaneously a venue operator and an event promoter.

Pandan has entered into an exclusive agreement with TicketSling, namely the PASTA, which provides that all event promoters who hold their events at any of the Pandan venues can only use TicketSling as their ticketing service provider.

CHIPS

The CHIPS is an air-conditioned multi-purpose sports and entertainment facility and was constructed at the cost of P$90 million. It opened in 1989. With a seating capacity of up to 13,000, the CHIPS is the largest purpose-built indoor venue in Peranaka, and one of the largest in the region. The CHIPS specializes in world-class pop concerts and sporting events. In 2011, the CHIPS hosted more than 70% of the total number of concerts and live indoor sports events held in Peranaka.

Based on number of tickets sold, about one-third of all events held at the CHIPS from January 2009 to December 2011 were organized by the CHIPS itself. From this perspective, CHIPS is also simultaneously a venue operator and an event promoter.

Venue categorization by genre

Promoters and ticket buyers consider that venues can be classed according to whether they are “world-class”, “premium” or “non-premium”, which classification depends on a range of factors including seating capacity, prestige/reputation, accessibility of location, standard of technical equipment (e.g. lighting, sound, etc.), technical support, and quality of venue facilities (e.g. parking, food and beverage service, etc).

The Pandan and CHIPS are regarded as world-class venues by promoters and ticket-buyers. (The only world-class sports venues are the CHIPS and the New Moon Circuit, the latter being where the Grand Prix is held).

Although no other venues of the size of the Pandan and CHIPS are widely recognized to be world-class, there are at least two large premium venues, namely the Peranakan Grand Forum and the Peranakan Grand Arena. Both of these are multi-purpose venues, with a capacity of up to 3,000 people, specializing in offering large scale events and performing arts. There is no premium sports venue.

Remaining venues are non-premium venues, although many could upgrade to premium venues with a moderate investment.

<u>Event promoters</u>

Event promoters hire venues to hold their events, and engage ticketing service providers to sell tickets of their events to ticket buyers. For example, from January 2009 to December 2011, TicketSling has provided ticketing services for about 350 events held by over 20 event promoters across a variety of event genres.

The three largest promoters active in Peranaka other than Pandan (in terms of number of events organized and ticket volumes sold) are Shiok (approximately 30% of total ticket volumes, excluding self-ticketing), Global Promotions (18%) and ArenaPromo (15%). Each of these promoters is, to a greater and lesser extent, active across all event genres.

A substantial proportion of the events organized by Global Promotions and ArenaPromo are staged at venues other than the Pandan and CHIPS, in particular at the Peranakan Grand Forum and the Peranakan Grand Arena.

During 2008, following a removal of trade barriers in the Peranaka region, Shiok and ArenaPromo entered negotiations with a ticket service provider outside of Peranaka (EntryTicket); they sought to persuade it to enter the Peranaka market on the back of a commitment to purchase their requirements exclusively from EntryTicket (apart from those for events to be held at the Pandan and CHIPS). However, before the terms of this agreement could be finalized, TicketSling (which had learned of the negotiations via a former employee of EntryTicket which it had recruited) entered into an exclusive agreement with Shiok.

ArenaPromo then approached Global Promotions. Both are currently in the process of discussions with TicketLibertas with a view to sponsoring expansion of TicketLibertas outlets and an improvement in the TicketLibertas systems. However, Global Promotions is worried that the PCA would take issue with two promoters forming a horizontal agreement.

Appendix 2: **Extract from TicketSling's internal documents on its pricing structure**

<u>TicketSling's charges to event promoters</u>

TicketSling generates its revenues from Promoters from two fees, as follows:

Ticketing Administration Fee

The Ticketing Administration Fee is a fee for
- computer programming time and services to develop the event web page, configure the price structure, and the software for organizing seating arrangements at the venue;
- providing standard sales reports; and
- other services for the development of the event for ticket sales.

Commission

TicketSling charges two types of commissions, a Basic Commission (its standard charge) and a Discount Commission (a discount of 20% available to Shiok only).

<u>TicketSling's charges to ticket buyers</u>

TicketSling charges two types of fees to ticket buyers:

- A <u>booking fee</u> is charged to ticket buyers for the service rendered to sell the tickets to them. Currently, a booking fee of P$5 per ticket applies for every ticket sold (other than to ticket buyers for events promoted by Shiok, where the fee is P$3).

- <u>Handling fees</u> are charged to the ticket buyer to deliver the ticket to them following their ticket purchase. This is a cost based fee and the amount of the fee (on a per transaction basis) varies by delivery/collection mode (e.g. there is no fee for ticket buyers picking up the ticket themselves and a very high fee for tickets couriered to the ticket buyer). These fees have not been changed in recent years.

<u>Recent pricing developments</u>

On 1 September 2010, TicketSling increased its booking fee charged to ticket buyers from P$3 to P$5 per ticket. This price change does not apply to tickets for Shiok events because the ticketing agreement between TicketSling and Shiok provides that booking fees for Shiok events would be capped at no higher than P$3 during the contractual period. The handling fees, as well as the fees levied on the event promoters, remained unchanged.

Table 5: TicketSling Revenues and Costs, 2007-2011

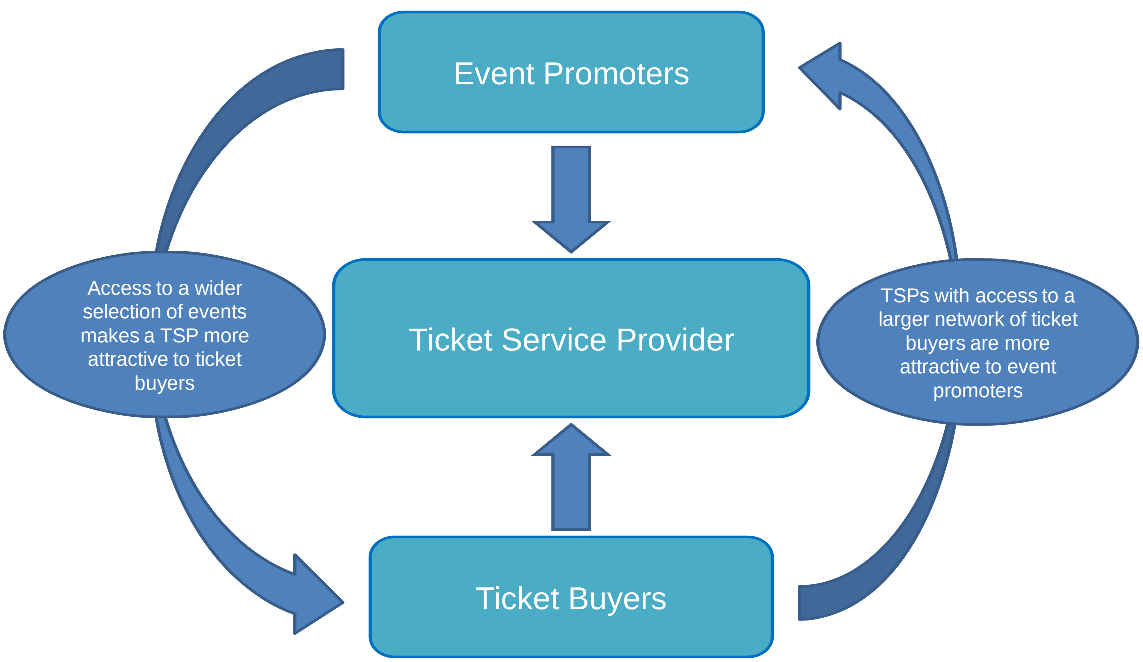
	2007	2008	2009	2010	2011
Revenues	**7,940,441**	**9,022,507**	**9,321,353**	**10,856,040**	**11,596,106**
Ticket buyer booking and handling fees	2,779,591	2,867,714	2,787,236	3,008,220	4,236,157
Event promoter admin fees and commission	5,160,850	6,154,793	6,534,118	7,847,820	7,359,949
Costs	**6,749,375**	**7,669,131**	**8,202,791**	**9,336,194**	**9,508,807**
Variable Costs	2,699,750	2,706,752	3,169,260	3,473,933	3,362,871
Fixed Costs	4,049,625	4,962,379	5,033,531	5,862,262	6,145,936
Profits and Returns					
Gross Profit Margin	66%	70%	66%	68%	71%
Net Profit Margin	15%	15%	12%	14%	18%
Return on Capital	23%	27%	16%	31%	52%

Appendix 3: Extract from Straits Economics Consulting Co. "Network effects in the Events Industry"

The PCA has argued that:

- ticketing service provision in Peranaka is characterized by the presence of strong network effects;
- these effects create a barrier to entry and/or expansion; and,
- this barrier reinforces/preserves TicketSling's dominant position.

Specifically, the PCA has argued that because tickets for most events are sold through TicketSling, most buyers purchase tickets from TicketSling. Given that most buyers are using TicketSling anyway, this makes it attractive for an event promoter to choose TicketSling (because TicketSling offers the best access to customers). This in turn, reinforces ticket buyers' desire to use TicketSling (since TicketSling continues to offer the widest range of promoted events).



In other words, the high level of usage of TicketSling's services by ticket buyers means that event promoters attach a high value to the use of TicketSling's services, and vice versa. Moreover, the PCA argues that these so-called "two-sided network effects" are underpinned by:

- TicketSling's website, which is the first 'port of call' for young ticket buyers;
- TicketSling's entrenched physical distribution network, consisting of outlets in most major shopping malls in Peranaka; and,
- TicketSling's existing customer database, which enables event promoters to target their marketing to buyers.

However, for the PCA to establish that "two-sided network effects" exist between ticket buyers and event promoters requires it to show that two criteria are fulfilled, namely:

- that ticketing service providers are more attractive to ticket buyers if they have access to more events; and,
- that access to more ticket buyers makes a ticketing service provider more attractive to event promoters.

In this regard, we note the following evidence from a recent survey. Ticket buyers identified the four most important features determining their choice of ticket service provider:

- offers a ticket for the event that they want to attend (valued as important/very important for 90% of those surveyed);
- offers a convenient way to obtain tickets (valued as important/very important for 75% of those survey);
- sets low booking and handling fees (valued as important/very important for 50% of those surveyed); and
- offers a wide range of events (valued as important/very important for 34% of those surveyed).

30% of ticket buyers stated that purchasing from a ticket service provider that they had used before provided important reassurance against fraud when making online purchases.
In addition, Table 6, below, provides web traffic data for the websites of TicketSling, TicketLibertas and ChingayTickets for the period 1 January – 31 December, 2011.

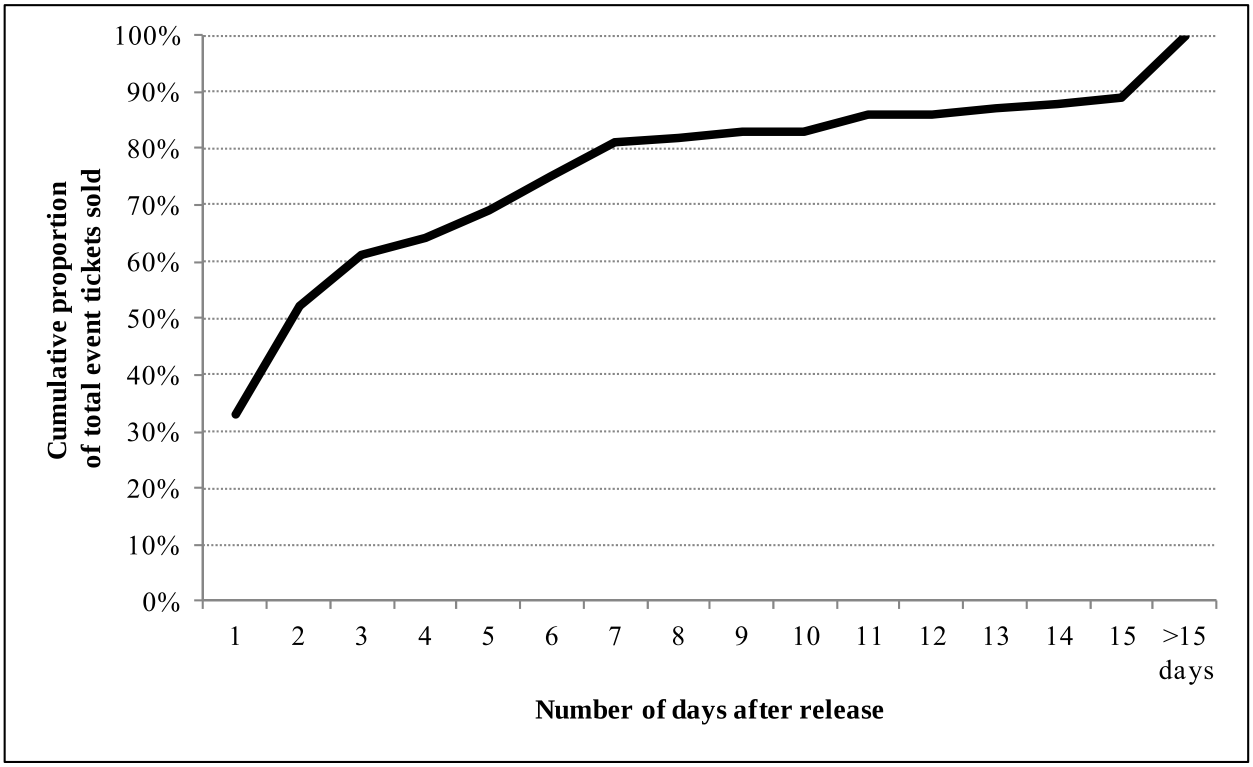
Table 6: Web Traffic Analytics, 1 January – 31 December, 2011

Summary Statistics	**TicketSling**	**TicketLibertas**	**ChingayTickets**
Number of hits	54,668,732	5,788,454	3,858,969
Number of websites linking in (i.e. having a hyperlink to this ticketing website)	892	109	78
Average page views per user	6.7	1.8	1.2
Bounce rate (i.e. visiting 1 page only and left)	12%	41%	82%
Average time spent on site (minutes)	5.2	1.4	1.3
Traffic sources			
Direct visit (i.e. typing the URL of the website directly)	34%	13%	10%
Search engines - keywords related to the name of the ticketing company	27%	12%	8%
Search engines - keywords related to the name of an event	2%	4%	9%
Search engine - keywords related to the name of a venue	1%	7%	2%
Hyperlink from an event website	8%	16%	33%
Hyperlink from a venue website	11%	21%	7%
Others	17%	27%	31%

Appendix 4: CHIPS ticket sales data

The figure below shows the cumulative proportion of total tickets sold by number of days after ticket release for events held at the CHIPS. For example, the figure shows that, on average, approximately 33% of the total tickets available for events at the CHIPS are sold on the first day, and that approximately 52% of the total tickets are sold within the first 2 days. It should be noted, however, that for some very high profile events, 80% of the total tickets available for the event can be sold on the first day.

Figure 2: CHIPS cumulative ticket sales distribution



Appendix 5: Background to TicketSling's contractual relationship with Pandan

From: How, Annie [annie.how@ticketsling.co.pn]
To: Lee, Michael [michael.lee@ticketsling.co.pn]
Date: 24 February 2005
Subject: Re: SlingTix / Project Pandan – Concerns about Opportunism

Hey Mike,

Agreed, I have had similar concerns. What if we say to the Pandan that we will proceed with the modifications to SlingTix only on the basis that the Pandan agrees to make TicketSling its exclusive provider of ticketing services? Do you think you could get your finance team to run the numbers and work out how long an exclusivity we would need to recoup our investment in SlingTix to meet the Pandan's specific requirements? My gut feel says that we need 5 years at least, but my gut has lied before (especially before lunchtime).

Cheers
Annie

From: Lee, Michael [michael.lee@ticketsling.co.pn]
To: How, Annie [annie.how@ticketsling.co.pn]
Date: 24 February 2005
Subject: SlingTix / Project Pandan – Concerns about Opportunism

Annie,

How you doing?

I have some concerns about Project Pandan that I wanted to run by you. Essentially what is keeping me up at night is the risk that once we've spent all the time and effort modifying SlingTix to meet the Project Pandan standards the system will be highly geared to the needs of the Pandan but potentially less useful/valuable for other venues in Peranaka. Since these other venues will supposedly have less willingness to pay up to use a system with additional features and capacities that they don't necessarily need, after we've made all the upgrade investments, what is to stop the Pandan from saying they will only use us as their provider if they pay the same (lower) price that would have been paid by the other venues to use the system?

Best
Mike

Appendix 6: TicketSling Internal Memo – Exclusive Deals

MEMORANDUM FOR THE EXECUTIVE COMMITTEE OF TICKETSLING

FROM: Kevin Lim, Sales Director

SUBJECT: Update on Renegotiation of Exclusive Arrangements

As you know, TicketSling substantially increased its market share last year following the decline in 2010. This was due, among other things, to our successful bid to provide ticketing services for the Peranakan grand prix.

While this is good news, longer term prospects remain uncertain. A large proportion of our sales come from just three customers, namely the Pandan, CHIPS and Shiok (or from customers that use the Pandan and CHIPS as venues). To illustrate our reliance on these customers/venues, my team has prepared a breakdown of our ticket volumes for the previous year, a summary of which is provided in the table below.

TicketSling Sales Volumes by Venue and Promoter, 2011

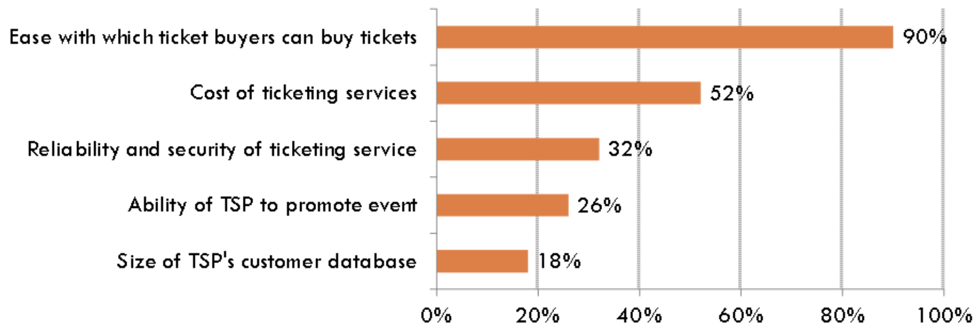
Venue (Promoter)	**Share of volumes**	
CHIPS	**38%**	
CHIPS		16%
Shiok		9%
Other Promoters		13%
The Pandan	**20%**	
Pandan		7%
Shiok		9%
Other Promoters		4%
Peranakan GP	**14%**	
Other Venues	**28%**	
Shiok		16%
Other Promoters		12%
Total	**100%**	

You will recall that our current arrangement with Shiok will end next year, the arrangement with the CHIPS will end in two years, and the arrangement with the Pandan has three years left to run. Considerable uncertainty remains as to whether these customers will continue to use TicketSling when the existing arrangements expire. Our immediate concern must be securing a new deal with Shiok – as is evident from the data above, 38% of our sales volumes last year came from Shiok (of which 9% related to events staged at the CHIPS, 6% at the Pandan and 23% at other venues). Over the next few weeks I will meet with Shiok to discuss the possibility of extending the current exclusive arrangement. I will report back to you at the end of this period on developments and further steps, if any, we should be taking. We should also look to secure a similar arrangement with another promoter, perhaps ArenaPromo.

Appendix 7: Findings on Survey of Event Promoters (the "Survey")

Promoter Survey Results I: Key Considerations in Selecting a TSP

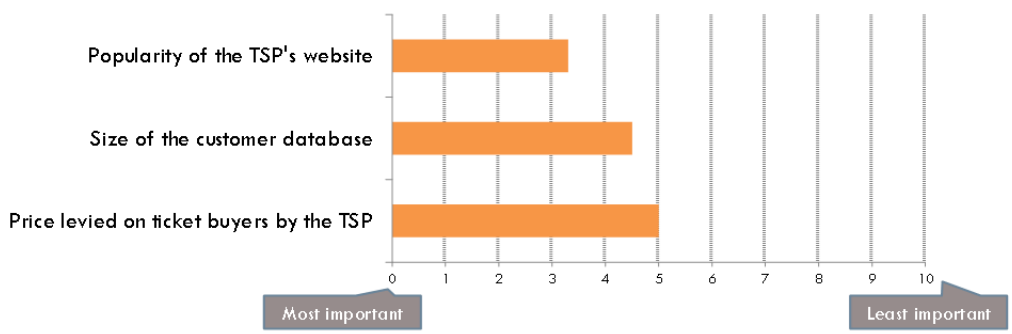
Top 5 considerations of event promoters in selecting a TSP



- When surveyed, more than **80% of respondents indicated that they had been using the same TSP to provide their ticketing services during the past 1 – 2 years.** About 10% of respondents had switched TSP during the period, and 10% indicated that they used more than one TSP concurrently.
- The ease of purchasing tickets from the ticketing agent was determined by the location and the number of the ticketing booths (i.e. physical ticketing outlets), and the various modes of purchase (call center, online booking via website, and authorised sales agents).

Promoter Survey Results II: Use of Other Value Added Services

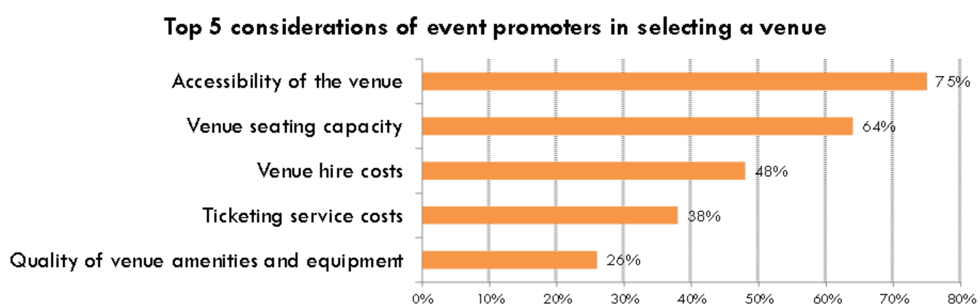
- About 17 respondents (±55%) indicated that they frequently (more than 50% of the time) engage ticketing service providers to carry out advertising and promotion-related activities (i.e. value-add activities offered by the ticketing service providers).
- Respondents were also asked to rate the importance of the following factors on a scale of 1 (most important) to 10 (least important) when selecting a ticket service provider



Promoter Survey Results III: Competition between TSPs

- **About 70% of respondents would continue to use TicketSling as their main ticketing service provider for the events held at the Pandan and/or the CHIPS** and would not consider using other ticketing service providers in place of TicketSling **even if there are no ticketing restrictions in place.**
  - Generally, the reason cited for this is that there is no viable alternative ticketing service provider besides TicketSling.
- About **80% of respondents indicated that the ticketing services market in Peranaka is not competitive.**
  - They indicated that Peranaka is a small market, and TicketSling will remain as the dominant ticketing service provider in Peranaka as other ticketing service providers cannot match TicketSling in terms of its size, customer reach and branding.
- **TicketLibertas, ChingayTickets and ATN are often cited by the respondents (±66%) as alternative ticketing service providers. However, only about 38% of respondents regard these firms as close competitors to TicketSling.**
  - The rest felt that these rivals cannot be compared to TicketSling as they lack an extensive ticket sales and distribution channel and they cater to a different audience base. Participants also felt that these "alternative" ticketing service providers lacked experience/track record and reputation. In general, they will not consider using these alternative ticketing service providers in place of TicketSling, with some respondents indicating that they will only use them if they are able to reach out to more customers and provide more competitive rates.

Promoter Survey Results IV: Competition between Venues



- About 38% of respondents indicated that they would consider switching some events from "premium" venues to "world class" venues if the relative cost of ticketing services at premium venues increased from existing levels
- A lower proportion, around 25%, of respondents indicated that they would consider switching some events from world class venues to premium venues if the relative cost of ticketing services at world class venues increased from existing levels
- The survey revealed that event promoters consider the world class venues to be essential for certain types of events given their accessibility, good reputation, state-of-art equipment (e.g. sound and lighting), professional crew and technical support staff, and food and beverage facilities.

Appendix 8: Extract from PCA investigation of self-ticketing

PCA notes that there are overseas examples in the UK, USA and Australia that self-ticketed venue operators or event promoters are actual competitors to open ticketing service providers. For this very reason, the respective competition authorities have taken self-ticketing into consideration in their competition assessment.

Cinema Operators

The PCA obtained evidence from cinema operators to determine if the ticketing services for cinema operations would form part of the relevant product market. Responses from the cinema operators show that:

- all respondents do not consider provision of ticketing services as part of their core business, and would not enter into the business of open ticketing services. One respondent submits that it "wish[es] to focus on [its cinema] operations". Another submits that it does not see "any significant benefits or value to shareholders". The other one who had attempted in the past cited its "frustrating and humbling experience";

- all respondents have indicated that not even a 10% increase in market price would make a difference to their choice not to enter into the open ticketing business. One respondent sees "more problems than benefits" and "a serious burden on [its] existing cinema business". Two others simply answered "no" without further elaboration; and

- all respondents have indicated that it will take considerable time and costs to enter into the open ticketing business. One submits that it "requires significant modification and cost". Another submits that it "do[es] not have the appropriate software expertise". The other one quoted a significant sum of investment required.

Peranakan Grand Forum

The Peranakan Grand Forum said that self-ticketing would require a system that is flexible to cater for the wide range of events that it hosts. In the past, it had had brief discussions with HopTix on this matter but HopTix's fees had seemed too high and Peranakan Grand Forum would need to obtain an experienced manager and support team to run the system. It said that it would not rule out self-ticketing in the future – in particular because it was aware that some larger venues had done so successfully in neighbouring countries. Self-ticketing would be more likely if TicketSling increased its charges by 10% or if HopTix offered a highly competitively priced system and agreed to run it for a year or two while Peranakan Grand Forum got up to speed in managing the system.

Appendix 9: Extract from ATN internal strategy presentation: "Peranaka Entry Analysis"

ATN Peranaka Entry Proposal

Scenario and Breakeven Analysis 2008

Summary

- Motivation for entry consideration
  - Total open ticket volumes in Peranaka expected to reach 1,000,000 tickets by 2011
  - Possibility for ATN to clinch Peranakan GP contract in 2010
- Two entry models considered
  - Breakeven ticket volumes under both scenarios estimated to be approximately 275,000 tickets per annum
  - Business Model I preferred if market growth faster than forecast
  - Business Model II preferred if market growth slower than forecast
- **Recommendation: Business Model II**

Business Model Description

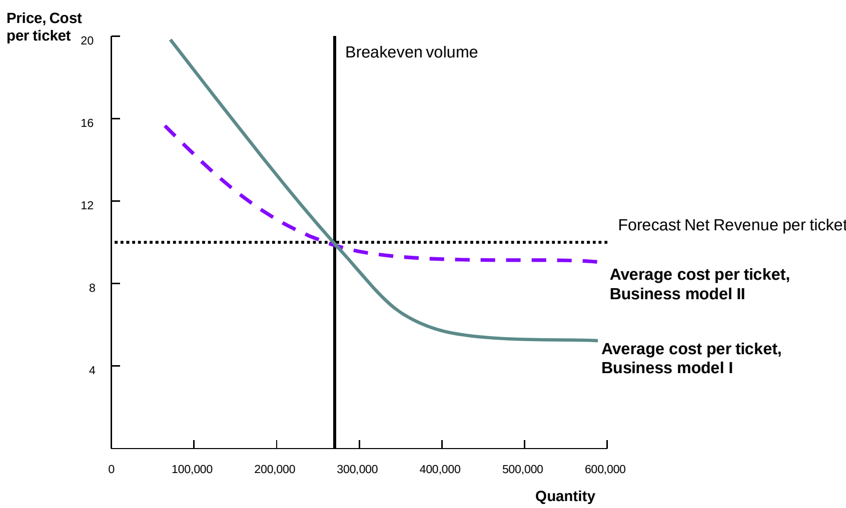
Business Model I

- Develop bespoke ticketing system and infrastructure, including own call centre and small branch network in key locations
- **Strength**: Low per-ticket costs and high variable margins at volumes of over 300,000 tickets per annum (<V$8 per ticket)
- **Weakness**: High fixed (sunk) costs of development and maintenance
  - V$3 million up set up cost
  - V$1 million overheads per annum
- **Opportunity**: Cross-selling and system licensing possibilities
- **Threat**: Aggressive response from TicketSling, large incumbent

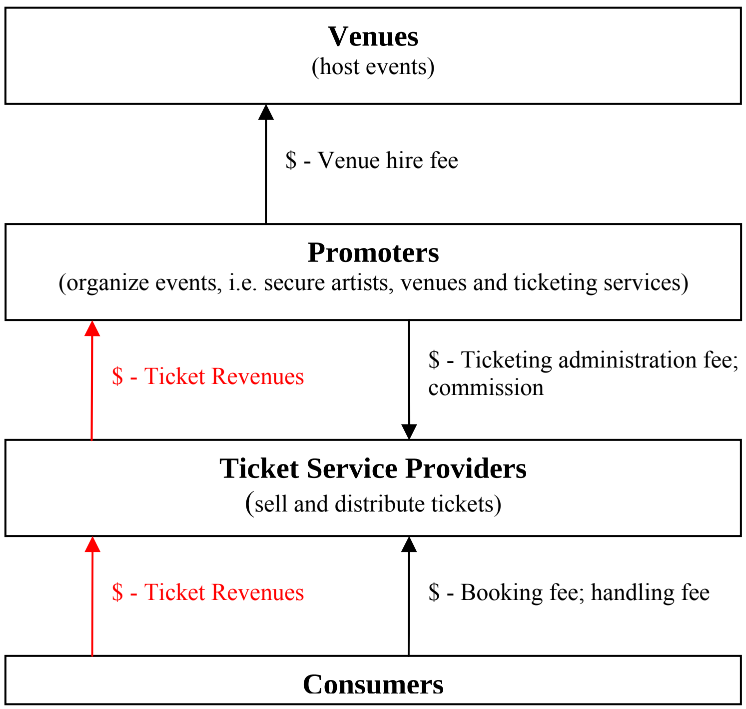
Business Model II

- License *Turnkey* ticketing system from HopTix, outsource call centre operation and use only third-party authorised sales agents
- **Strength**: Lower fixed costs of entry – lower volume threshold for profitability
  - V$1.5 million up set up cost
  - V$1 million overheads per annum
- **Weakness**: Higher per-ticket costs at volumes over 300,000 per ticket (always >V$8 per ticket)
- **Opportunity**: Profitability of niche operation more likely
- **Threat**: Risk of failure of Hoptix *Turnkey* system, third party suppliers and partners (e.g. call centre operator)

Business Model Breakeven Analysis



Appendix 10: Industry Value Chain and Payment Flows; Summary of Participants



Venues
Pandan, CHIPS, Peranakan Grand Arena, Peranakan Grand Forum, New Moon Circuit, Kampong Polo Club, SilverScreen

Promoters
Shiok, Global Promotions, ArenaPromo
Also: Pandan, CHIPS (for events at their own venues)

Ticket Service Providers
TicketSling, ChingayTickets, TicketLibertas, ATN
Also: Self-ticketing

Consumers