Price Discrimination and World Cup Ticket Pricing: A Lesson from Golf

May 28 2010 | 1:04 pm | 349 views | 0 recommendations | 1 comment
posted by PATRICK RISHE

On Thursday it was announced that there was approximately 160,000 seats unsold across the 64 matches at the 2010 World Cup. None of the 64 games are sold out yet, and this inventory includes 90,000 just released that were not taken by various sponsors and affiliates.

FIFA Secretary General Jerome Valcke stated that ticket pricing was likely the culprit of poor sales in Africa outside of South Africa, as African fans were asked to pay the same price as European and American fans. As a result, less than 40,000
tickets were sold to Africans outside of South Africa.

Valcke and his colleagues at FIFA should have considered 3rd degree price discrimination and its applications in golf pricing.

Take Torrey Pines Golf Course in LaJolla, CA as a case study, one of the more famous public golf courses in America and site of the historic US Open victory by Tiger Woods over Rocco Mediate in 2008.

If you are a resident of San Diego County, these are your greens fees. Everyone else pays these non-local greens fees. In some cases it’s $150 cheaper to play Torrey Pines if you are a ‘local’. Torrey Pines is not atypical in this practice as many public golf courses in the U.S employ this strategy.

This is an example of 3rd degree price discrimination. In the example above, ‘non-locals’ are less price sensitive because as visitors to the region they only have limited opportunities to play Torrey, and as such, their ‘willingness to pay’ is higher than for a ‘local’ who has more choice and flexibility for which courses they play in San Diego County. If you charge ‘locals’ the ‘non-local rate’, the course takes the risk of pricing the ‘locals’ out and thus selling fewer greens fees.

That said, FIFA should have charged lower ticket prices for African natives. Though they did sell their Group 4 tickets (the cheapest category of tickets...which also likely means the least desirable from a viewing perspective) to just South African natives, this obviously was not enough to draw more African consumers based on the data before us. They should have earmarked a small percentage of tickets from the other seating categories (there were 3 others categories) as qualifying for a ‘local discount’.

Though the existing FIFA 2010 World Cup ticket surplus is not tragic in an absolute sense given that they have sold approximately 95.5% of their 2.9 million ticket inventory, this surplus could have been much smaller or perhaps non-existent if FIFA had employed a more prudent revenue maximizing ticket policy.

If the goal of these games was to make it ‘Africa’s World Cup’ and to promote the event in the host continent, FIFA missed the goal on this direct kick.
<table>
<thead>
<tr>
<th>MOST POPULAR</th>
<th>OUR POSTS</th>
<th>All Posts Last 24 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Favre's Photo Folly May Cost Him $100 Million</td>
<td>24,761 views</td>
<td></td>
</tr>
<tr>
<td>2. Declan Sullivan's Death Could Cost Notre Dame $30 Million</td>
<td>18,636 views</td>
<td></td>
</tr>
<tr>
<td>3. The Pittsburgh Penguins Dividend: A Franchise in the Mold of Berkshire Hathaway</td>
<td>10,229 views</td>
<td></td>
</tr>
<tr>
<td>4. Tiger Woods Divorce Settlement: Not $750 Million</td>
<td>9,904 views</td>
<td></td>
</tr>
<tr>
<td>5. Camouflaging Reality: Newton's Story Parallels Bush, Bonds, Rodriguez, Jones</td>
<td>6,121 views</td>
<td></td>
</tr>
</tbody>
</table>
Lansing Coupons  www.Groupon.com/Lansing
1 ridiculously huge coupon a day. Like doing Lansing at 90% off!

Great Mountain Golf in NC  www.etowahvalley.com
Golf, lodging, dining, and tennis Great new packages for 2011.

Golf Coupons 50-90% Off  www.GroupGolfer.com
Save on Michigan Golf Courses! Golf Coupons up to 90% Off.

TaylorMade Burner $34.71  QuiBids.com
TaylorMade Drivers, Save 90% Off Blowout Auctions Today. Buy Now.

Last Minute Tee Times  www.GolfNow.com
Tee Time Specials Online, Book Online & Save Up to 70%

The "Perfect" Golf Swing?  PeakPerformanceGolfSwing
Play the Best Golf of Your Life in Just 2 Weeks - 10 Free Videos

Lansing Coupons  www.Groupon.com/Lansing
1 ridiculously huge coupon a day. Like doing Lansing at 90% off!

Stocks to Watch  www.thestreet.com
See what stocks Jim Cramer is trading for his portfolio today.

Retire On One HOT Stock  ProfitConfidential.com/Retire
Our gurus pick the best stock for 2011. Buy now and retire faster

The Death of Wal-Mart  www.Fool.com
New Motley Fool Report. Companies Poised to Profit from this Change.