



# ***After the Goldrush: willingness to pay for concert service and product attributes in South Africa***

A research report submitted

by

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## I. ABSTRACT

After the gold rush that was the recorded music business in the twentieth century, the industry finds itself in a difficult time of severely reduced revenues from recorded works distributed on physical media. As the industry searches for a solution to its problems, this research investigates the potential additional revenues from live music events as an element of the revenue replacement engine. The core objective governing this research was to gain a clearer understanding of concert service and product attributes that are valued by customers and to gauge their willingness to pay for these attributes. Also key to the brief was the goal of understanding the consumer decision-making and buying process with reference to the rules applied in the buying process. The questionnaire used in this research was structured by design and sought to gauge from concert audiences what they were willing to pay for preferred product or service attributes.

The findings show that there is a willingness to pay for some concert related product and service attributes and that there are distinct clusters within the respondent population that are distinctly different from each other across a variety of demographic and other metrics. Other than on a single sub-attribute, premium bar facilities, there was no evidence found for using ticket class as an indicator for willingness to pay for service or product attributes or sub-attributes. There was evidence found, however, that demographic and other metrics could be indicators for willingness to spend on each attribute and sub-attribute.

## **II. DECLARATION**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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**Jake Larsen**

**26<sup>th</sup> of September 2012**

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## **CHAPTER ONE - INTRODUCTION TO THE STUDY**

### **1.1 Introduction**

One of the consequences of the Republic of South Africa repealing apartheid in 1994 has been the increase in the number of concerts by international acts taking place in the country. The first notable example was Paul Simon – the first tour produced by modern day industry leader, Big Concerts.

This increase has provided audiences with a greater variety of choice in terms of ticket prices, frequency of shows, availability, timing and other service and product attributes. This expansion has meant that more promoters have entered the market and that competition has increased. The expansion of service and product attributes available due to the increased number of shows and competition in the market means that promoters will need to start looking closely at product and service attributes in order to continue attracting audiences.

The goal of this research was to gain a clearer understanding of concert product and service attributes that are appreciated by customers and to approximate their willingness to pay for these attributes.

### **1.2 Background to the study**

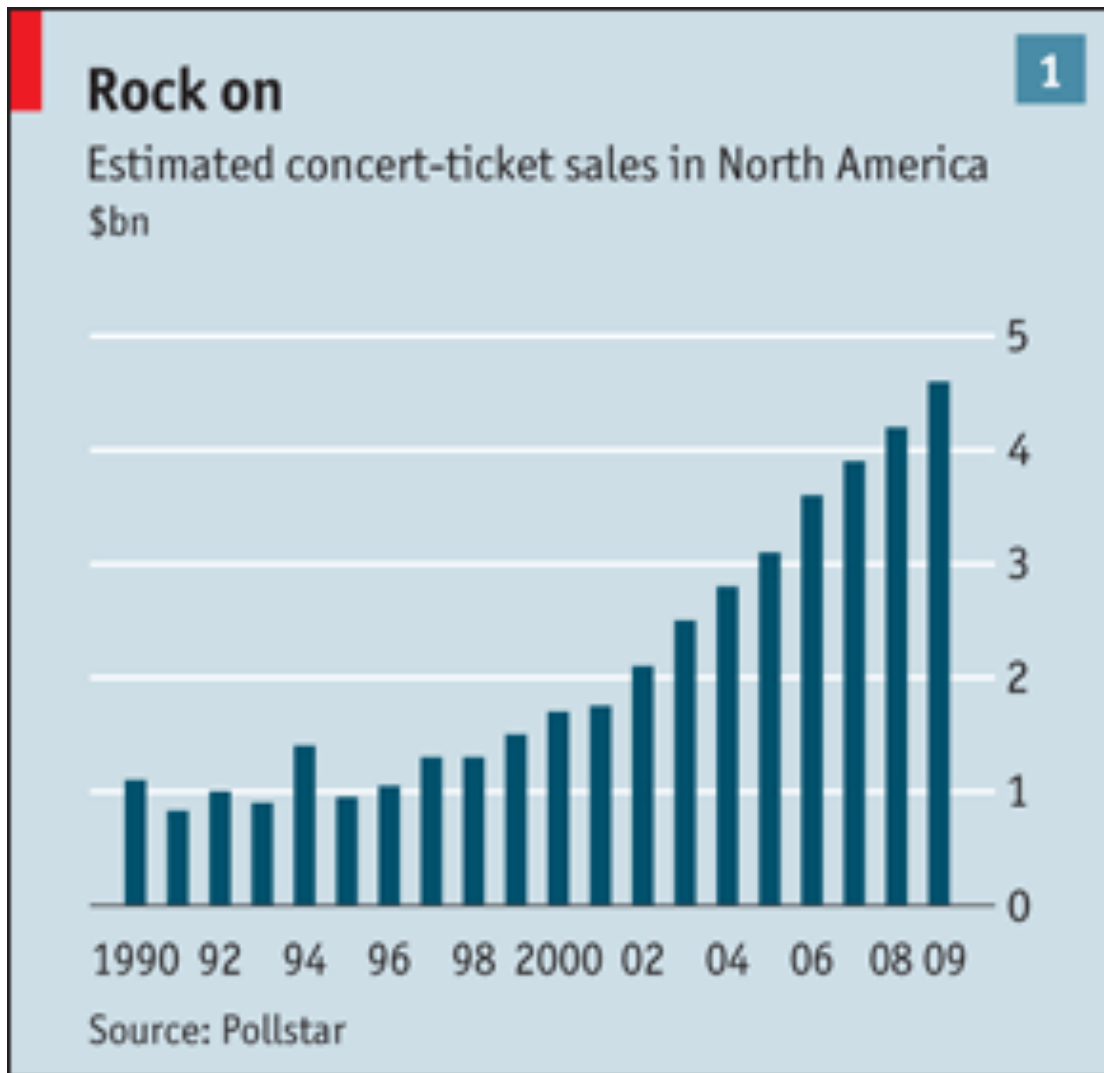
Caught between declining sales of recorded works on physical formats and digital sales that were not growing quickly enough to make up the shortfall, the music industry found itself in a state of flux.

One of the music sector's key historical income drivers was the sale of recorded music on physical carrier formats from shellac to vinyl, audio cassette and compact disc, and, more recently, non-physical digital formats



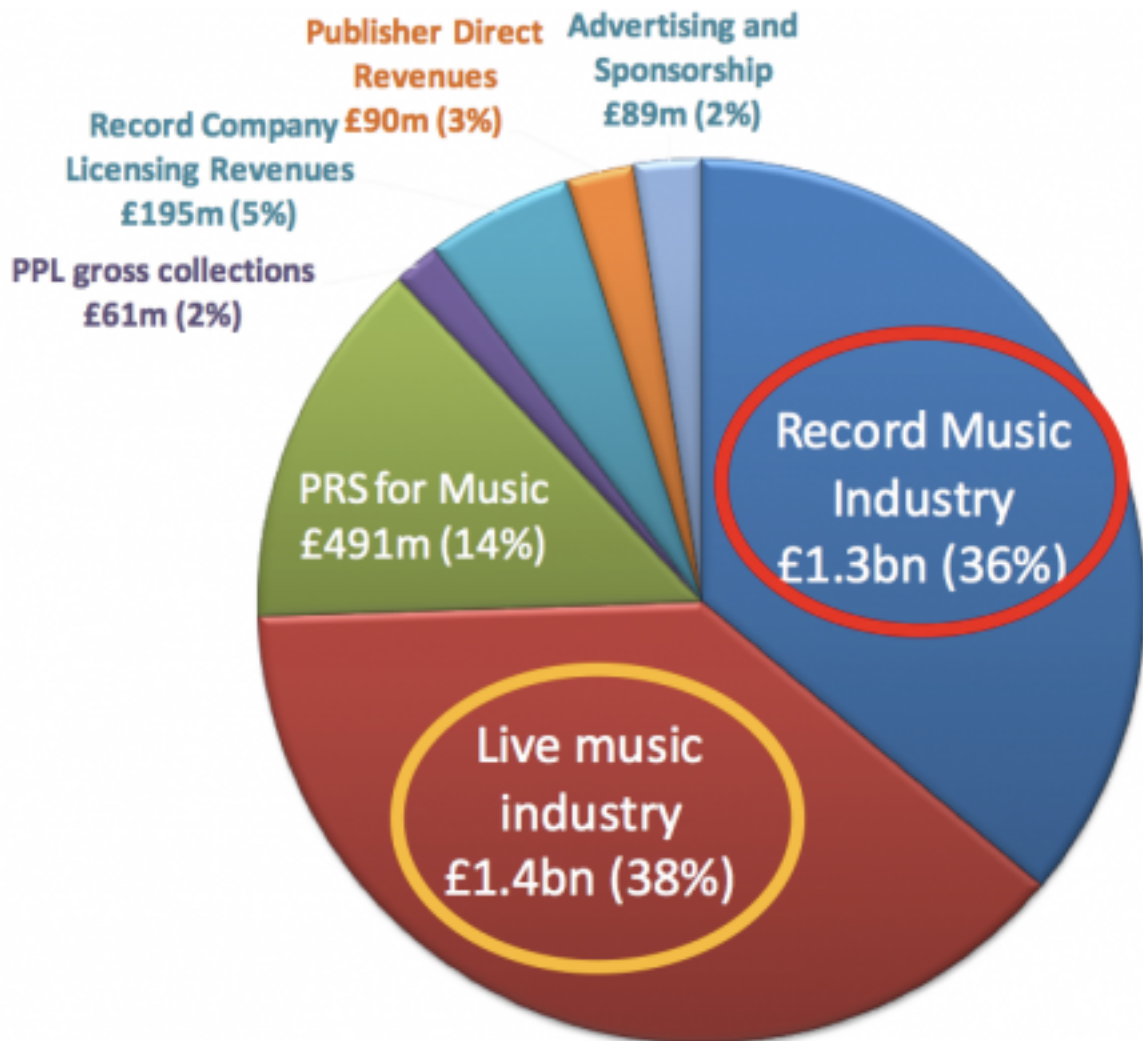
such as Windows Media Audio (WMA), a Microsoft-developed audio information compression technology, and Moving Picture Experts Group Audio Layer 3 (MP3), a data compression audio encoding format - largely via internet distribution. Having been plagued by content theft from the Internet since 1997 (Bakker, 2005), the digitally replicable creative industries, including music, were in a global crisis. In an effort to protect their principle producer of revenues, the music industry engaged in a number of strategies, including technological interventions to prevent the ripping of music from compact discs (CDs), pushing for more stringent copyright enforcement laws, taking legal action against download services and individual transgressors, and public education drives (Bakker, 2005). The ability to produce non-degrading copies in unlimited quantities at little to no cost created a major challenge for musicians seeking to earn a living through the leveraging, by means of sale, rental or other methods, of their works, as an almost limitless supply of music is available to the consumer at no financial cost. This equated to a drastic reduction in the demand for the same product in a format for which the consumer had to pay.

At the same time, attendance levels at live music events steadily increased (Stone, 2009) (see Figure 1). This trend allowed musicians to offset some of their revenue losses due to the above-mentioned decline in recorded music sales. Live performances became a key part of the revenue generation mix of most artists (see Figure 2). According to Borgonovi (2008), research has shown that ticket-pricing influences concert attendance and that price elasticity is greater amongst higher LSM populations.



**Figure 1: Rock On: Estimated concert-ticket sales in North America (The Economist, 2010)**

According to the data collected by Volpano and Bilotkach (2007), ticket pricing is currently sub-optimal. This is exemplified by the occurrence of both empty seats and ticket brokers, or scalpers. The value being left on the table by not selling seats, as well as the margin that scalpers were achieving, could have been passed on to promoters and artists. They further argued that price discrimination linked to demand for tickets, as evidenced by the availability of empty seats and the success of ticket brokers, would facilitate revenue increases when compared to standard pricing practices (Volpano & Bilotkach, 2007).



**Figure 2: Economics of the music business (Lewis, Watkins, Dawes, & Ekkel, 2011)**

Since 1994 the number of international acts appearing at concerts in South Africa grew exponentially in the years to follow. As a result, promoters increasingly needed to have a clearer understanding of what the service and product needs of their audiences were, and, most importantly, they needed to determine what service and product attributes audiences were willing to pay for so that revenues from ticket sales could be maximised. It was with the goal of generating a better understanding of concert service and product attributes that this research was conducted.

### **1.3 Problem statement**

Little research has been conducted with a view to either understanding concert service and product attributes that customers value, or their willingness to pay for said service and product attributes. Buyers and sellers, audiences and promoters, not only assess value differently to each other, but also differ in how they assess the value of the item in question (Carmon & Ariely, 2000). Buyers are focused on what they forego, such as money, with the result that buying prices are heavily influenced by variables such as prevailing reference prices, whilst sellers are focussed on their sentiment towards surrendering the item, thus selling prices are heavily influenced by variables such as the benefits of possessing the item in question (Carmon & Ariely, 2000). The value of a concert is not, however, determined by ticket price alone. Promoters needed to understand how audiences chose which class of ticket to purchase, and for what additional products or services they would be willing to pay in order to tailor their offerings to best serve their audiences. As a result, the ability of being able to determine the service and product attributes that are valued by customers and the capacity to be able to determine the price that audiences are willing to pay for those attributes is business-mission critical.

### **1.4 Research Objectives**

Of primary importance in the conducting of this research was the attainment of an understanding of concert service and product attributes which are valued by customers, as well as the understanding of audience willingness to pay for these attributes.

Secondly, the research aimed to rank, in order of importance to the consumer, the attributes in accordance with the consumers' willingness to pay for the attributes, with a view to determining how the independent service and

product attributes affect the consumers' willingness to pay for those attributes.

The third goal was to relate the varying degrees of willingness to pay for the attributes in question, with variables such as ticket class and person-related variables, for example age group, gender and preferred genre, amongst others.

To fulfil these objectives, the following research questions were developed:

Research question 1:

Are people willing to pay for the various concert-related attributes and sub-attributes?

Research question 2:

Can ticket class predict willingness to spend on each attribute and its sub-attributes?

Research question 3:

Can demographics and other person-related variables such as preferred music genre predict willingness to spend on each attribute and its sub-attributes?

## **1.5 Methodology**

The approach and methodology applied in order to achieve the objectives set out in section 1.4 are explained below, whilst a detailed description of the methodology employed is included in Chapter Four.

### **1.5.1 Type of research**

The research methodology used for this research was quantitative, whilst the method used was an online survey. Descriptive research is often used when reviewing the leisure sector (Veal, 2006). The research strategy adopted was a combination of descriptive, with the goal of describing variables such as willingness to pay for concert-related attributes, as well as correlational, with the goal of trying to find associations between willingness to pay various amounts for concert-related attributes and variables such as ticket class or type of person (Cooper & Schindler, 2006).

Cooper and Schindler (2006) asserted that statistical studies are devised for breadth rather than depth, and that, as a result, statistical studies have a tendency to capture a population's characteristics through making inferences from a sample's characteristics. This study can, therefore, be regarded as a statistical study, as it aimed to depict consumers' willingness to pay by studying the attributes of a sample.

### **1.5.2 Sampling framework and scope**

A non-probability convenience sample was used for this study. The researcher solicited responses from 120 respondents by means of an online questionnaire after distributing the survey to 250 people via e-mail and also promoting it on Facebook.

### **1.5.3 Research Instrument**

Use was made of a structured online questionnaire, facilitated by [www.SurveyMonkey.com](http://www.SurveyMonkey.com), in order to solicit responses from audiences. Respondents were not assisted in the completion of the questionnaires. Participants were asked whether they had attended a concert in South Africa as a screening question, which allowed the researcher to disregard non-

qualifying respondents.

The questionnaire was tested prior to dissemination to ensure its suitability and to remove any ambiguity from the phrasing of the question.

#### **1.5.4 Methods of analysis**

The research report made use of statistical analysis to depict, encapsulate and transform the collected responses so that they could be interpreted and thereby answer the research questions. In order, K-Means clustering, a Mann-Whitney U Test and Chi Square tests were used.

#### **1.5.5 Limitations and errors**

The occurrence of errors and the existence of limitations with regard to the extrapolation of data to the greater population were expected in the use of non-probability sampling in this research, but were mitigated through the solicitation of an adequate number of respondents.

In order to minimise the occurrence of respondent errors due to acquiescence bias as a result of sensitivities related to people's willingness to disclose information about their willingness to pay for service and product attributes, the questionnaire was administered digitally and anonymously, and the minimum requirement of thirty responses was exceeded.

Another limitation of this study is that little academic literature on the subject of this study exists. To mitigate this shortcoming, the proxy of the airline industry was employed. The airline industry was selected because of the similarities between the nature of the product and service attributes offered, as shown in Table 1. For example: both offer tickets in varying classes, with varying promised benefits.

### **1.5.6 Ethical issues**

In order to address any potential ethical concerns around the conducting of this research, all respondents received clear communication regarding the purpose and nature of the study prior to completing the survey and had the option of withdrawing from the study at any stage. Furthermore, all questionnaires were treated as confidential and respondents were not required to divulge any personal information.

### **1.6 Summary of Chapter One**

Chapter One sketched the contextual framework, impetus and objectives of this body of research and outlined the research methodological approach pursued.

In the chapters to follow:

- I. Chapter Two explores existing literature to afford the researcher insight into the topic.
- II. Chapter Three describes the research hypotheses relevant to this study.
- III. Chapter Four gives a detailed view of the research methodology and data analysis techniques employed.
- IV. Chapter Five presents the findings of the research.
- V. Chapter Six analyses and explores the findings presented in Chapter Five.
- VI. Chapter Seven provides a summary of the study, its findings, resultant recommendations and recommendations for future research.



## CHAPTER TWO - LITERATURE REVIEW

### 2.1 Introduction

Chapter One argued for the significance of the music industry in terms of the economic benefits it could provide to professional musicians, their families and related industries. The declining state of the recorded music industry and the increase in concert attendance was also discussed.

This chapter seeks to review the existing literature in order to guide the researcher towards understanding concert service and product attributes that audiences value and to estimate the willingness of audiences to pay for the attributes. The chapter investigates the terms ‘business models’ and ‘sustainability’ and looks at promoters, artists and audiences, as well as the concept of trust and its relation to the artist, band or promoter as a brand. Furthermore, consumer buying decision levels and decision rules are reviewed.

The main focus of the literature review was on the following areas:

Three topics were covered:

1. The live music business.
2. Service and product attributes.
3. Willingness to pay for service and product attributes.

## 2.2 The live music business

### 2.2.1 Introduction

The music industry, including songwriters, recording companies, promoters and artists derived income from radio airplay, album sales and concerts (Black, 2005). According to Black (2005), concert revenues in North America rose from US\$1.3 billion to US\$3.1 billion between 1997 and 2005. Although revenues from concerts increased, sales of pre-recorded works declined over the same period, due in large part to the increased theft of recorded music as a result of the ease of digital replication. Touring provided the majority of the income derived by most artists, be they lesser known or big name artists Black (2005).

Volpano and Bilotkach (2007) argued that, according to the data they collected, the method of pricing tickets was sub-optimal. This was exemplified by the occurrence of both empty seats and ticket brokers, or scalpers. The value being left on the table by not selling seats, as well as the margin that scalpers were achieving, could have been passed on to promoters and artists. They claimed that price discrimination linked to demand for tickets, as evidenced by the availability of empty seats and the success of ticket brokers, facilitated revenue increases when compared to standard pricing practices. Courty (2003) stated that, when looking at the top 25 concert tours held in 2001, the Billboard Boxscore attendance figures showed that only 39% of the concerts were sold out, while the average occupancy rate across all of the shows was 84%. This led the researcher to question whether tickets had been effectively positioned in terms of not only price, but also service and product attributes and whether the promoters could have offered a different bouquet of products and services to consumers in order to fill venues.

Concert attendance is affected by ticket price, income levels, competing shows and the number of performances of a particular show (Toma, 2007),

thus appropriate pricing was an essential element in the attendance equation. The combination of sub-optimal ticket pricing methods, empty seats and potential value left on the table by not providing additional products or services that audiences are willing to pay for, supported the case for research into the subject of audiences' willingness to pay for concert service and product attributes. In order to ensure long-term viability, it was essential that the promoters' business models were sustainable. Cost management and revenue generation were two key drivers in the quest for sustainability, and were both influenced not only by the remuneration given to artists, but also by other stakeholders, including industry employees and the buying public, i.e. audiences. This study focused on the revenue generation element of sustainability by investigating the product and service characteristics of concerts.

### **2.2.2 Business Models and Sustainability - “Live” as a central component of the music business revenue-generation mix**

Business models form the foundation for how entities conduct their activities, and consequently, generate revenue and ideally profit. Without an efficacious model, the entity lacks the fundamental knowledge required in order to execute their activities effectively, which amplifies the risk of failure. Mansfield and Fourie (2004: 39) proposed that “a business model most commonly describes the linkage between a firm's resources and functions and its environment; it is a contingency model that finds an optimal mode of operation for a specific situation in a specific market.” Identifying, and subsequently optimising, the service and product attributes of concerts could be viewed as a key element in the business model of the concert promoter in order for overall attendance levels and profit maximisation per ticket sold to be achieved.

A key issue for various organisations was the question of sustainability, particularly in terms of financial feasibility (Carroll & Stater, 2008). This was perfectly applicable to promoters. If promoters were not in a position to

conduct their business in a sustainable fashion, i.e. by selling tickets at optimum prices, whilst providing audiences with shows that they experience as good value for the money paid for tickets, their businesses would not survive.

Whilst the provision and marketing of artistic services might have been a profitable business for some, with popular artists attracting large audiences and generating substantial revenues, the competition for audiences and marketable talent was fierce and subject to market failure (Richter, 1999). Live music performances (concerts) by artists were funded, staged, promoted and underwritten by concert promoters (promoters), whilst artists were usually paid a fee consisting of a portion of ticket sales with an assured minimum, referred to in the industry as a guarantee (Holland Mortimer, 2010). Concert-going customers (audiences) bought tickets for concerts that appealed to them and high-profile entertainment events were underwritten by risk-bearing promoters (Jones & Yeoman, 2008).

The business of staging and selling tickets to an event with a predefined capacity, and thus number of tickets available for sale, could be compared to the process of an initial public offering (IPO) of financial securities, in that the promoter, or underwriter, who has a monopoly on the products, made guarantees to the artist or issuing firm, and thus protected the principle's proceeds whilst shouldering the risk for the promotion and sale of tickets, or shares (Jones et al., 2008). Ticket pricing, according to William Morris Agency's world-wide head of music, was not an exact science, and the risk borne by promoters was particularly highlighted when it was considered that the arrangement between performer and promoter was usually agreed, as alluded to above, on either a guarantee or revenue share basis, or a combination of the two, with the promoter only receiving 5% to 15% of potential takings while bearing the full risk for paying the artist's guarantee - regardless of whether or not the event was successful (Smith, 2006). It was therefore of great business interest to promoters as well as entertainers, as

well as providers of ancillary products and services, to determine audiences' willingness to pay for concert service or product attributes.

The USA ticket sales market was dominated by Ticketmaster, which merged with Live Nation in 2010 to become Live Nation Entertainment (Fortunato, 2010). In South Africa, Live Nation had a strategic alliance with established South African promoter, Big Concerts. One could thus have deduce that South Africa might suffer a similarly dominated space should the Live Nation/Big Concerts alliance decide to follow a similar strategy in the local market. Shoprite-owned Computicket was the dominant player in the South African ticketing space. With a network of retail kiosks at its Checkers stores around the country to complement its web based sales operation, Computicket had a distinct advantage over its online only competitors. With such dominance of the market, it was imperative for competing promoters to seek an understanding of what their audiences were willing to pay for in order to correctly satisfy their demands and thus gain some form of competitive advantage.

The trend towards demand based ticket pricing tactics lent weight to the argument that there existed a real need for the exploration of audiences' willingness to pay for concert product and service attributes, as a dynamic approach to pricing would require a deeper understanding by promoters of ticket pricing and buying influencers (Drayer, 2010). This need for a deeper understanding was supported by the UK example of the increase in the number of music festivals hosted each year, and the subsequent increase in demand for tickets, particularly for the best-known events (Stone, 2009). Using the internationally renowned Glastonbury festival as an example, official attendance figures by paid ticket holders increased from 25 000 in 1983 to 175 000 in 2008 (Stone, 2009).

**Trust (In the product/service with regard to relationships in their early stages, i.e. can the promoter actually pull the gig off? Is the band any good?)**

Potential quality is the most important element that customers use in the development of a trust relationship with suppliers, according to speculation by Zolkiewski, Lewis, Yuan and Yuan (2007). According to Blois (1999), reputation presents evidence to purchasers of the past performance of the seller and can indicate how the seller is likely to react to unanticipated circumstances. Atkinson and Butcher (2003) confirmed this by stating that the implication is that buyers tend to base their opinions of the ability of sellers to make decisions and execute actions according to their past actions. It was also asserted by Johnson and Grayson (2005) that reputation is a forebear of emotional trust. It was thus important for promoters to clearly grasp what attributes were important to their audiences in order to build trust through the accurate provision of such attributes.

**Perceived Price Fairness**

Perceived price fairness is a psychological influencer that has a significant impact on the reaction of consumers to product and service pricing (Kahneman, Knetsch & Thaler, 1986). Price fairness perception analysis provides fresh insight into consumer behaviour and enhances the analytical validity of household demand models applicable to the music industry (Daskalopoulou & Petrou, 2006). Rondán-Cataluña and Martín-Ruiz (2010) claimed that willingness to pay, the perception of price fairness, customer value, product/service quality and consumer satisfaction are ranked significantly higher in terms of importance by concert attendees than buyers of pre-recorded music. Price fairness perception assumes that consumers agree that companies should earn reasonable profits whilst consumers are entitled to pay a fair price for the goods or services provided (Bolton, Warlop & Alba, 2003).

Expanding upon this, it is implied that price escalations should not be made in order to exploit prevailing conditions in the market, nor should they be made for the purpose of increasing profit margins, but that price increases as a result of rising costs should be considered reasonable (Kahneman et al., 1986). That said, consumers have endured and survived perceptually unfair increases (Campbell, 1999), but perceived unfairness in pricing can result in undesirable consumer responses such as boycotts (Goldman, 1994) and a reduction in trade (Grover, 1994). Linked to perceptions of value are perceptions of estimated profits. Because profit disclosure is typically not available to consumers, they tend to subjectively estimate companies' profits on products or services. Price sensitivity can be described as the mindfulness of consumers of what their perception of the range of cost within which they would be willing to purchase a product or service is (Miller, 2006). This indicates that whilst audiences might have been comfortable and willing to pay for concert service and product attributes, correctly identifying and pricing of the relevant attributes was of critical importance.

### **Customer Value**

Customers are, in reality, predominantly fixated upon the value they receive from a product or service rather than merely concentrating on how much the product or service costs or how much the company is making out of the sale and Zeithanmi (1988) outlined value to be the result of the comparison of what is given versus what is received. Thus, it was of importance that this study sought to understand which concert product and service attributes were valued by customers and to estimate their willingness to pay for said product and service attributes.

### **Satisfaction**

Satisfaction can be described as the perception of the customer as to what degree their needs have been met by the product or service (Oliver, 1999). If satisfaction is experienced, consumers are prone to want to continue a connection. (Rondán-Cataluña & Martín-Ruiz, 2010). Economic satisfaction

and non-economic satisfaction are not the same thing (Shankar, Smith & Rangaswamy, 2003). Non-economic satisfaction is defined by Geyskens, Steenkamp & Kumar (1999: 223) as a “positive affective response to the non-economic, psychosocial aspects of its relationship, in that the interactions with the exchange partner are fulfilling, gratifying and easy”.

Satisfying customers is the key element of marketing as a concept. Solid evidence exists of the beneficial effects of customer satisfaction on repeat purchases (Szymanski & Henard, 2001). Customer satisfaction also has a positive impact on customer loyalty (Anderson & Sullivan, 1993) and possibly profitability (Anderson, Fornell & Lehmann, 1994). The realisation that degrees of satisfaction had an effect on the loyalty of customers, as exemplified by the case of Xerox wherein “totally satisfied customers” were six times more likely to engage in repeat purchases than “merely satisfied customers” (Jones & Sasser, 1995), has meant that companies need to focus on achieving total customer delight in order to leverage the benefits of customer satisfaction. It is only when customers are satisfied to such a degree that their scores, as measured on commonly used satisfaction measurement tools, exceed the upper threshold of the customer’s zone of tolerance, that customer delight occurs and a real, lasting impact is felt (Keiningham, Goddard, Vavra & Laci, 1999). Satisfaction is a key element in the entertainment business, a fact that reinforced the impetus for conducting this study, which sought to determine what audiences valued in order for audience satisfaction to be affected.

## **2. 3 The buying process and the rules applied**

### **2.3.1 Introduction**

This segment explores the consumer decision-making and buying process, as well as the decision rules audiences apply in their selection of options when they have a number of choices at hand, as it is important for promoters to be



aware of these drivers when developing and pricing their products and services. The relevance of this exploration is that it is important to know how decision rules affect audiences' willingness to pay for concert service and product attributes.

### 2.3.2 Background

When consumers make decisions between a number of alternatives in the purchasing of a product or service, which need to be satisfied with finite resources, they engage in a decision-making process, either consciously or unconsciously (Cant, Brink & Brijball, 2006). Figure 3 illustrates a simple five-stage model of the consumer buying process.



**Figure 3: 5 Stage Model of the Consumer Decision-Making Process**

(Source: Kotler & Keller, 2007: 3)

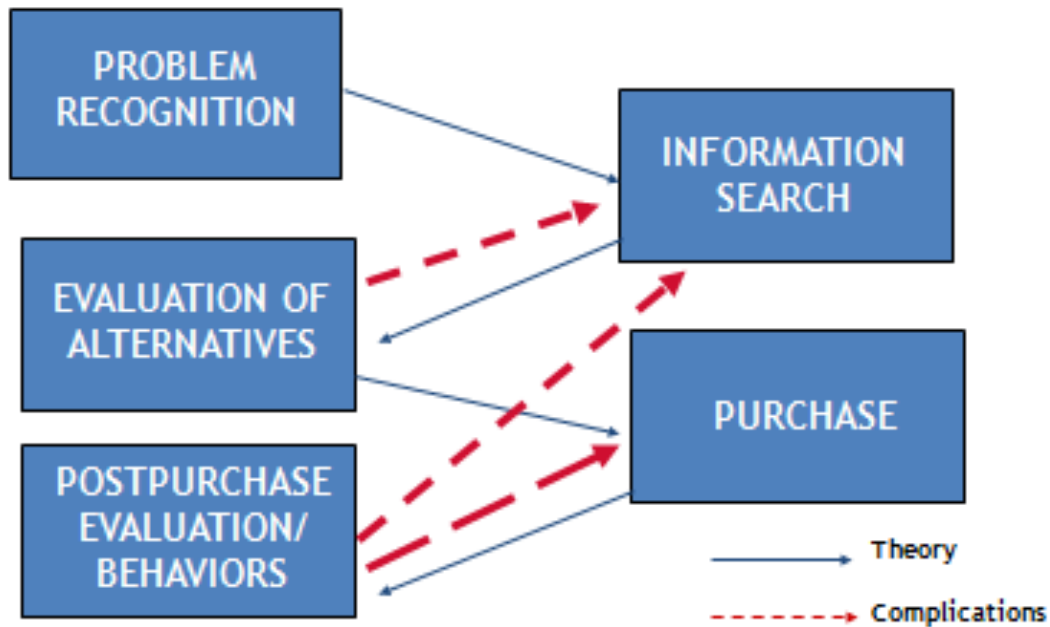
### **2.3.3 Consumer decision-making levels**

Three levels of decision-making were identified by Schiffman and Kanuk (1997).

The levels are as follows:

1. Extensive
2. Limited
3. Routine

Consumers consider numerous internal as well as external sources of information prior to making a final purchase decision. In Figure 2, the consumer decision-making process is expanded to show the assorted sources of inputs and outputs consumers employ in the making of their decisions. Whilst Figure 3 shows consumers to move through five stages in a linear fashion, it is clear from reviewing Figure 4 that this is not necessarily the case and that, in fact, consumers might omit or repeat stages or they may reverse stages, dependent upon both the information at hand as well as the particular needs of the particular consumer at the time. Kotler and Keller (2007) agree.



**Figure 4: Expanded 5 Stage Model of the Consumer Decision-Making Process** **(Source: [http://www.consumerpsychologist.com/marketing\\_introduction.html](http://www.consumerpsychologist.com/marketing_introduction.html))**

The amount of time that is spent on each stage of the decision-making process varies depending upon the magnitude of the decision required or the problem to be solved. The greater the problem, or the more significant the decision, the more complex the search for information and evaluation of possible alternatives will be. The deduction is thus that the interval expended in each stage of the decision-making process is variable (Schiffman & Kanuk, 1997).

Of great importance is acknowledgement of the fact that the buying process is initiated well in advance of the actual purchase and that it has consequences, which last well beyond the moment of purchase (Kotler & Keller, 2007). The relevance to concert promoters is that a clear understanding of the factors which persuade the purchase decision has the benefit of both creating an understanding of what audiences are willing to pay for, as well as an understanding of ways in which they can impact the willingness to pay and the purchase decision.

## **2.4 Audiences' selection of service and product attributes**

### **2.4.1 Introduction**

Although the music industry used to derive much of its revenue from the sale of recorded works, radio airplay and concerts, the then state of the business saw the size of the recording businesses rapidly shrinking, whilst the contribution of the concert element of the revenue generation pie was growing (Courty, 2003; Black, 2005). Concert attendance was affected by ticket price, income levels, competing shows and the number of performances of a particular show (Toma, 2007). When looking at the top 25 concert tours held in 2001, the Billboard Boxscore attendance figures show that only 39% of the concerts were sold out, while the average occupancy rate across all of the shows was 84%, which was attributed in part to ticket pricing (Courty, 2003). Black (2005) reinforced this point by asserting that concert revenues in North America rose from US\$1.3 billion to US\$3.1 billion between 1997 and 2005. The challenge facing promoters was finding ways to ensure the success of their businesses through not only the selection of the correct acts, venues and supporting functions, but also by correctly gauging the willingness to pay for concert service and product attributes by audiences.

Differentiation, by means of altering the mix of service and product attributes, could afford promoters improved revenues through offering service and product attributes that customers valued, whilst eliminating the ones that were not valued. The service and products attribute mix ultimately has an impact on the amount that audiences are willing to pay for concerts and promoters need to be mindful of their service and product attribute mix as it has an effect on not only customers, but also costs.

Mason (2000) suggested that in markets experiencing change, the disclosed preference methodology may not be a good predictor of future behaviour and

preferred a stated preference methodology where a hypothetical scenario is provided. This gives respondents a choice in a structured, hypothetical environment, which enables service elements to be evaluated against one another. Referring to the airline industry as a proxy employed in this study, in South Africa low fare airlines have established themselves as robust competitors to full service carriers since deregulation in 1990 (Hlekane, 2009). The low fare carriers were an alternative, which were used by both business and non-business travellers. When faced with the competition presented by these low fair operators, the prices charged by full service carriers often needed to compete with those charged by the low fair carriers (Hlekane, 2009). This created a hypothetical scenario in which customers who made trade-offs between attributes could potentially not provide adequate distinction between the two types of carriers (Fourie & Lubbe, 2006). An awareness of audience preferences and their favoured attributes is essential when reviewing, and potentially altering, the mix of product and service attributes.

#### **2.4.2 Definition of service and product attributes**

Service and product attributes, or characteristics for the context of this research report, refer to the primary functions, features and benefits presented to concert audiences. (Superaff, 2009)

#### **2.4.3 important concert attributes**

The service and product attribute mix impacts on how much audiences are willing to pay for concerts, attributes and sub-attributes. Referring to the airline industry as a proxy, Mason (2000) stated that in order to distinguish business class products from economy tickets, traditional scheduled airlines provided a number of additional benefits to holders of business class tickets; these included loyalty programmes, dedicated business class check-in gates, more leg room than is offered in economy class, free newspapers, access to business lounges at airports and ticket flexibility. It is thus essential that

promoters understand which product and service attributes audiences value and are willing to pay for as this would allow them to invest in critical attributes whilst cutting back on investment in attributes deemed less important.

## **2.5 Willingness to pay: Concert service and product attributes**

There is much existing literature on the subject of consumers' willingness to pay (WTP) for a product and their willingness to accept compensation (WTA) for a product (Drayer, 2010; Casey, 1995). Previous research reports that there is a wide range of difference between WTA and WTP measures of valuation (Sayman & Onculer, 2001). The gap between WTP and WTA is skewed in favour of WTA in almost all cases, while the space between the two numbers has been shown to differ noticeably depending on the purchase environment (Drayer, 2010). Huck, Kirchsteiger, and Oechssler (2005) stated that "the *endowment effect* describes that people demand much more to give up an object than they are willing to spend to acquire it." Sanchez-Franco and Rondán-Cataluña (2009) claimed that willingness to pay, the perception of price fairness, customer value, product/service quality and consumer satisfaction are ranked significantly higher in terms of importance by concert attendees than buyers of pre-recorded music.

As an example of willingness to pay for concert service and product attributes, some audience members are willing to pay the full price listed for a particular ticket but are unwilling to wait in queues, creating the opportunity for marked-up, resold tickets to be sold by scalpers at higher than face value prices (Busch & Curry, 2010). This leads the researcher to question the potential for attracting consumers to higher priced tickets direct from the promoter's assigned box-office, that offer added value-add service and product attributes such as not waiting in queues for tickets, refreshments and ablutions. This question forms the basis of the research questions in this study, and the subsequent focus on concert product and service attributes.

The researcher was unable to locate existing research focussing on willingness to pay for concert product and service attributes and has thus used the airline industry as a proxy. This choice has been made based on the similarity between the two industries' sets of attributes in terms of deriving income from the sale of tickets, having a number of ticket classes based on different promises of value, and having comparable service and product characteristics, as highlighted in the study conducted by Hlekane (2009), namely:

- i. Frequency
- ii. Availability
- iii. Flexibility
- iv. Rewards programme
- v. Comfort
- vi. Food and drinks
- vii. VIP lounge

**Table 1: Airline and concert product and service attributes**

<b>AIRLINES</b>	<b>CONCERTS</b>
Frequency	Frequency
Availability	Availability
Flexibility	Flexibility
Rewards Programme	Rewards Programme
Comfort	Comfort
Food and Drinks	Food and Drinks
Business Lounge	VIP Lounge

### 2.5.1 Willingness to pay

“Most air passengers are sensitive to airline travel cost; however service quality also affects passengers’ choices, but is in many ways subjective” (Martin, Roman & Espino, 2008, cited in Hlekane, 2009). One could thereby deduce that consumers might exhibit varying degrees of willingness to pay for product and service attributes.

Hlekane (2009), cited in Lee and Luengo-Prado (2004), conducted a study in the United States of America to determine how the amount of legroom airline passengers had access to had an impact on the price consumers paid. They looked at travellers using full fare airlines, i.e. United Airlines and American Airlines, and the study was performed after these two operators reconfigured their aeroplanes resulting in additional seat pitch (more legroom) in their economy class cabins. “American Airline's programme increased the seat pitch for all coach class seats across their entire aircraft fleet to between 33 and 35 inches while, United Airline's increased seat pitch to an industry-leading 36 inches, but the increased pitch was limited to the first 6 to 11 rows of the coach (economy) class cabin depending on aircraft type” (Lee & Luengo-Prado, 2004, cited in Hlekane, 2009, p29). All of American Airline’s passengers on economy class received extra legroom, while only some of the passengers on United Airlines received any extra legroom.

Lee and Luengo-Prado’s (2004) results, as cited in Hlekane (2009), showed that in the case of passengers flying on American Airlines, there was no evidence that passengers were willing to pay extra for more leg room. The opposite was the case of United Airlines. “United Airline's Premium Economy programme was effective in attracting passengers willing to pay higher fares for greater seat pitch when offered a choice of otherwise comparable service among competing full service carriers” (Lee & Luengo-Prado, 2004, cited in Hlekane, 2009, p29). Lee and Luengo-Prado (2004) went on to assert that the United Airline programme was targeted at the business traveller market, and



that the superior performance “may be a reflection of the importance of business travellers to the full service carriers. Business travellers tend to be less price-elastic, and since United Airline's Economy Plus seats offer the greatest coach class seat pitch of the major carriers, those passengers who value the extra space the most, may be willing to pay a fare premium for United Airline's service” (Lee & Luengo-Prado, 2004, cited in Hlekane, 2009, p29).

Of particular interest to this study is research conducted by Espino, Martin and Roman (2008), which utilised a stated-preference-experiment to analyse people’s preference for the main attributes defining the service offered by the airline. They also investigated willingness to pay for the following service-quality attributes: price, ticket change flexibility, free in-flight food, comfort, frequency and reliability. Their sample consisted of the following groups: business travellers versus non-business travellers, and business class travellers versus economy class travellers. In analysing the studies outcomes, Espino et al. (2008) applied two models to measure willingness to pay: a prediction model for variables, and a model to gauge socio-economic factors. The findings revealed “the willingness to pay measures for service quality could not be properly estimated if the existence of taste variation of passengers’ preferences is not addressed” (et al., 2008, p44). They determined that while socio-economic factors did not play a part in defining individual preferences for attributes, travelling class and reason for travelling did.

This study examined whether a similar scenario by way of ticket class, in the form of Golden Circle, Seated and General Admission, had an impact on people’s attribute preferences. Furthermore, Balcombe, Fraser and Harris (2009), cited in Hlekane (2009), found that passengers were willing to pay for enhanced service quality as well as comfort attributes.

### **2.5.2 Summary of willingness to pay**

In the preceding section, the concept of willingness to pay for product and service attributes was explored. The airline industry was used as a proxy in the absence of research on the subject in the context of concerts. In the case of the airline industry, there did seem to be a willingness to pay for certain service or product characteristics and ticket class had an impact on the preferences exhibited. This suggests that an understanding of customers could help promoters differentiate their product offers and charge for those differences.

## **2.6 Literature Review: Summary**

Caught between the decline of the physical format of recorded music sales boom of yesteryear and the fulfilment of the promise of seamless digital consumption, the music industry is trying desperately to find a viable way to both monetise the new digital music world and maximise revenues generated by income streams not resultant of recorded musical works. This sometimes leaves professional musicians in limbo; able to produce product, market and distribute recorded works independently and collect revenues themselves, but often without the scale, network, experience and marketing clout required to facilitate the mass popularisation of new musicians, resulting in a dependence on live performances for their popularity and financial survival. All of this escalates the importance of concerts to artists and promoters and highlights the necessity of gaining a clear understanding of consumers' willingness to pay for concert service and product characteristics.

This chapter reviewed the available literature with the aim of guiding the researcher towards an understanding of concert service and product attributes perceived by audiences as being valuable. The theory focussed on three key elements of relevance to this study, namely:

- i. The consumer buying process
- ii. The identification of the key concert product and service attributes that may be of importance to concert audiences.
- iii. The conceptual willingness to pay for concert product and service attributes.

## **CHAPTER THREE – RESEARCH QUESTIONS**

### **3.1 Introduction**

The loss of revenues from the sale of recorded musical works as a result of the increased levels of intellectual property theft afforded by digital replication, has driven the music industry to make improvements to concert service and product attributes. Through a review of the literature, service and product attributes important to consumers were determined in the context of the music industry and other relevant, related industries such as the aviation industry. These attributes are increased service and product attributes related to: Frequency, Availability, Flexibility, Rewards Programme, Comfort, Food and Drinks, and VIP Lounge. Furthermore, each of these attributes comprises various sub-attributes or exemplars. For example, the attribute of 'Availability' comprises the sub-attributes of 'The availability of section-specific ablution facilities during the show', and 'The availability of section specific bar facilities'.

There is, therefore, a requirement for understanding of audiences' willingness to pay for concert service quality attributes and sub-attributes so that promoters can effectively provide the right services to audiences in order to maximise profitability in an effort to recoup losses from the sale of recorded works.

### **3.2 Research questions**

The core objective of this research report was to gain an understanding of concert service and product attributes that are valued by customers (audiences), to approximate their willingness to pay for the attributes, and to be able to predict their willingness to pay for the various attributes based on ticket class and person-related variables such as age, gender and preferred music genre, amongst others.

Research question 1:

Are people willing to pay for the various concert-related attributes and sub-attributes?

Research question 2:

Can ticket class predict willingness to spend on each attribute and its sub-attributes?

Research question 3:

Can demographics and other person-related variables such as age, gender and preferred music genre, among others, predict willingness to spend on each attribute and its sub-attributes?

### **3.3 Summary**

Chapter Three saw the development of the research questions to allow the author to explore the research objectives.

## **CHAPTER FOUR - RESEARCH METHODOLOGY**

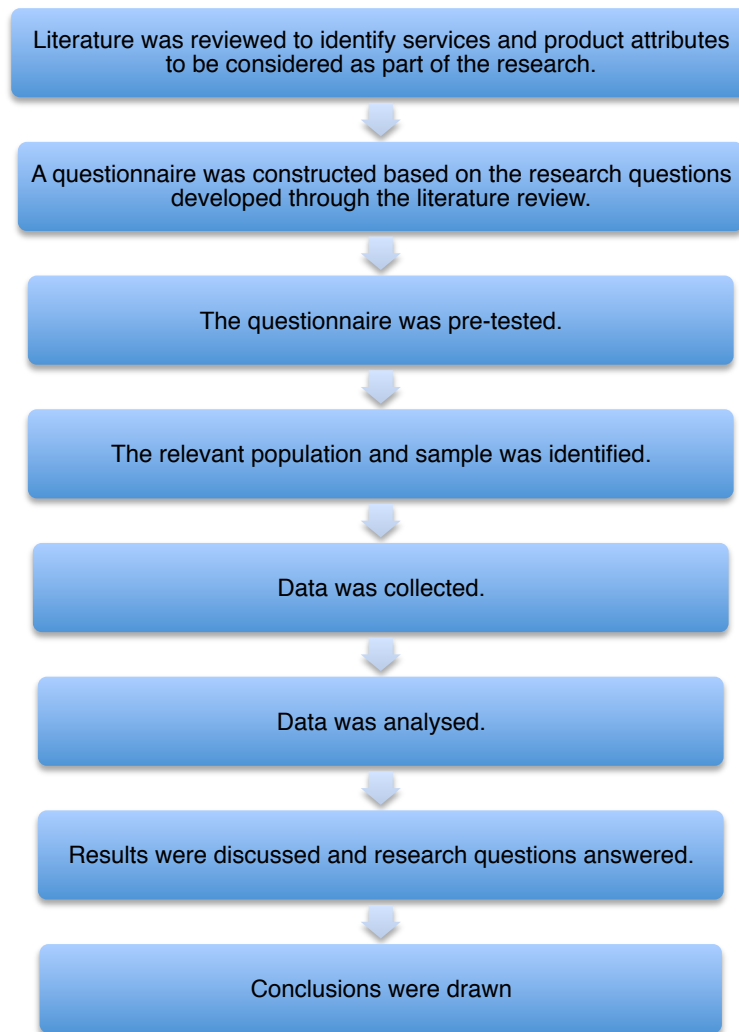
### **4.1 Introduction**

This chapter details the research methodology applied in addressing the research objectives of this research report. The type and design of the research are discussed and are followed by an overview of the population, sample methodology, unit of analysis and sample size used. Also covered prior to the conclusion of the chapter are the data collection methods, tools, approach for analysis, research errors, limitations and ethical considerations.

### **4.2 Research design**

The research design is essentially a blueprint that defines the methods and techniques for the collection and analysis of the required information (Zikmund, 2003). The research used quantitative methodology and was both descriptive and correlational in design. Descriptive research is designed to describe characteristics of a population or a phenomenon (Zikmund, 2003), such as depicting the willingness to pay for concert and product attributes. Zikmund (2003) also explained that descriptive research tends to be conducted in cases where there is previous understanding regarding the kind of research problem in question. Although examination of willingness to pay for concert and product attributes has yet to take place, similar studies have been conducted with a focus on other industries, including the airline industry, as used as a proxy in this study. Furthermore, the correlational aspect of this research described the relationships between variables such as willingness to pay for various attributes, with other variables such as ticket class selected, demographics and other person-related variables such as age, gender and preferred music genre.

The following process was followed:



**Figure 5: Research Process Flow**

### **4.3 Type of research**

The research conducted used quantitative methodology and was descriptive and correlational in nature.

The literature review revealed that numerous studies had been conducted to understand preferred service and product attributes within the industry being used as a proxy for this study; the airline industry. Exploratory research did thus not present an ideal solution. Zikmund (2003) suggested that in cases where organisations are aware of the problem, but do not have a complete knowledge of the situation, descriptive research should be used. Moreover, the research was correlational as research questions sought to examine the

relationships between variables such as willingness to pay for various attributes with other variables such as ticket class selected, demographics and other person-related variables such as age, gender and preferred music genre.

#### **4.4 Population of relevance and unit of analysis**

The population of relevance was people who have attended a concert in South Africa. The unit of analysis was South African Internet users found by distributing the questionnaire broadly on Facebook and via e-mail.

#### **4.5 Sampling method and size**

Use was made of a non-probability convenience sample and thus the findings of the research cannot be assumed to be representative of the population of South African concert-goers.

Responses were solicited from 120 audience members via an online questionnaire on [www.surveymonkey.com](http://www.surveymonkey.com). This number is well above the recommended minimum of thirty responses required for statistically significant and reliable results in simple analysis (Diamantopoulos & Schlegelmilch, 1997). A screening question: "Have you attended a concert in South Africa?" was used to filter out respondents who had not attended a concert in South Africa. Accordingly, four of the 120 respondents were omitted from the sample. Although the link to the online survey was emailed to a total of 250 Internet addresses, it was also broadly advertised on Facebook, so a response rate cannot be calculated.

#### **4.6 Research instrument**

A structured questionnaire was used to obtain responses from audience members and no assistance was given in the filling out of the questionnaire.



The questionnaire began with a qualifying question to determine whether the respondent had attended a concert in South Africa.

The questionnaire was divided into three sections as detailed below:

- The first part of the questionnaire investigated demographic information including the age, race and gender of the respondent, genre preference questions as well as which class of ticket had been purchased and whether the audience member had paid for their own ticket.
- Part two reviewed audiences' preferred service and/or product attributes. Audiences were asked how much extra they would be willing to pay on top of the standard ticket price for each service or product attribute.
- The third part of the questionnaire requested respondents to rank the services or product attributes in order of preference, with 1 being the most preferred concert service or product attribute and 8 being the least preferred concert service or product attribute. The attributes were Reliability/Punctuality, Frequency, Availability, Ticket Flexibility, Reward Programmes, Comfort, Food and VIP Lounges. Each attribute is explained below. The explanations were also included in the questionnaire to afford respondents the opportunity to interpret the questionnaire as intended.

#### **4.7 Pre-testing the questionnaire**

Six people were randomly selected to test the questionnaire with the objective of determining:

- If the questions were concise and easy to understand.
- If the questions were appropriate.
- If the questions were ambiguous.

- If the instructions were confusing.
- The time taken to complete the questionnaire.

Respondents from the pre-test sample were asked to give face-to-face feedback and evaluate the questions, instructions and layout of the questionnaire. A number of phrasing errors and a difficult-to-understand instruction were identified and rectified.

A sample of the questionnaire can be found in Appendix A.

#### **4.8 Data collection process**

The collection of data was preceded by a screening question to determine if respondents had attended a concert in South Africa. The survey was conducted online through the administration of a questionnaire on [www.surveymonkey.com](http://www.surveymonkey.com). Respondents were not assisted in completing the questionnaire. In order to assure anonymity, respondents were not asked to divulge any personal details.

#### **4.9 Data analysis approach**

The data was downloaded in Microsoft Excel form from the [www.surveymonkey.com](http://www.surveymonkey.com) site following the instructions supplied. Thereafter, the data was cleaned by deleting the four respondents who had not previously attended a concert in South Africa. The remaining 116 responses were retained for analysis. In order to describe the respondent group, descriptive statistics in the form of frequency tables were compiled for the categorical variables of preferred genre, gender, race, age group, ticket class, place of ticket purchase, person who paid for the ticket, and number of concerts attended annually. These frequency tables were supported by graphical summaries in the form of bar charts and pie graphs. Having described the characteristics of the sample respondents, the remaining analyses addressed

the research questions.

The research questions are restated for ease of reference:

Research question 1:

Are people willing to pay for the various concert-related attributes and sub-attributes?

In order to establish the extent to which people are willing to pay for the various concert-related attributes and sub-attributes, frequency distributions were computed for each sub-attribute. The categories of these ordinal variables were R0-50, R51-100, R101-200, R201-500, R501-750, R750-1000, and R1001 or more. The categories of R201-500, R501-750, R750-1000, and R1001 or more were combined in view of the sparse number of responses to them. Finally, a single bar chart was produced and colour-coded by attribute, which showed the percentage of respondents willing to pay more than R50 by attribute.

Research question 2:

Can ticket class predict willingness to spend on each attribute and its sub-attributes?

In answer to the second research question, cross tabulations were computed for the responses to each sub-attribute by class of ticket (General Admission, Seated, and Golden Circle). Thereafter, the Chi Square test statistic was computed to test whether there was a significant relation between the amount willing to pay for the sub-attribute and ticket class. A 10% level of significance (the probability of finding spurious significance) was used throughout the tests of significance as several of the results showed p values of 0.06 and the researcher chose to acknowledge them while acknowledging the more lenient level of significance.

### Research question 3:

Can demographics and other person-related variables such as age, gender and preferred music genre, among others, predict willingness to spend on each attribute and its sub-attributes?

In order to consider the ranked responses to the eight service and product attributes (with a response of 1 being the most preferred concert service or product attribute and 8 being the least preferred concert service or product attribute, with no repetitions allowed), Cluster Analysis using K-Means clustering of the eight value preference items was employed. The resultant clusters were then compared on the eight responses and any attribute that was not found to discriminate between the clusters based on a non-parametric test was discarded and the cluster analysis recomputed to generate more distinct clusters. The non-parametric tests used were the Mann-Whitney U Test for comparing two groups and the Kruskal-Wallis ANOVA by ranks for comparing more than two groups as the scales of the clustering variables were ordinal. Hereby, respondents were clustered.

Thereafter, the clusters were compared on all the other variables so that they could be described fully. The description was complemented by a profile chart.

Finally, the clustering variable (with categories signifying groups of respondents with known characteristics) was cross tabulated against the responses to each sub-attribute, and the Chi Square test statistic was computed to test whether there was a significant relation between the amount willing to pay for the sub-attribute and clusters of people. Once again a 10% level of significance (the probability of finding spurious significance) was used throughout the tests of significance as several of the results showed p values of 0.06 and the researcher chose to acknowledge them while acknowledging the more lenient level of significance.

#### **4.10 Research errors and limitations**

The occurrence of errors and the existence of limitations with regard to the extrapolation of data to the greater population were expected in the use of non-probability convenience sampling in this research, but were mitigated through the solicitation of an adequate number of respondents.

In order to minimise the occurrence of respondent errors due to acquiescence bias as a result of sensitivities related to people's willingness to disclose information about their willingness to pay for service and product attributes, the questionnaire was administered digitally and anonymously, and the minimum requirement of thirty responses was exceeded.

#### **4.11 Ethical issues**

In order to address any potential ethical concerns around the conducting of this research, all respondents received clear communication regarding the purpose and nature of the study prior to completing the survey and had the option of withdrawing from the study at any stage. Furthermore, all questionnaires were treated as confidential and respondents were not required to divulge any personal information. Responses were entirely voluntary.

#### **4.12 Conclusion**

This chapter described the research methodology applied in addressing the research questions and hypotheses of this research report, and included a view of the research design and the type of research employed. Furthermore, the population, sample size, sampling and unit of analysis, as well as the data collection tools and methods were described. The chapter also included coverage of the questionnaire and statistical analysis used.

The results of the study are discussed in Chapter Five, which follows.

## **CHAPTER 5 – ANALYSIS OF RESULTS**

### **5.1 Introduction**

This chapter presents the outcomes of the statistical analysis performed on the data collected from the completed questionnaires. Table 2 outlines the structure of the chapter.

**Table 2: Chapter 5 Structure**

<b>Section</b>	<b>Rationale</b>
<b>5.2.1 Description of responses</b>	The rationale in this case was to provide a well-defined view of the response rate as well as the number of respondents who were eliminated due to lack of eligibility.
<b>5.2.2 Description of respondents</b>	This section presents a view of the distribution of respondents by demographic variables such as age, sex, race, ticket classes and buying methods.
<b>5.2.3 Sample Description: Frequency distributions for respondent variables</b>	This section looks at willingness to pay across the variables of attributes and sub-attributes.
<b>5.2.4 Cluster analysis</b>	Cluster analysis, using K-Means clustering of the eight value preference items.
<b>5.2.5.1 Chi Square Tests</b>	In order to answer the research



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question on whether ticket class can predict willingness to spend on each attribute and its sub-attribute, Chi Square tests were performed.

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**5.2.5.2 Chi Square Tests**

In order to answer the research question on whether cluster can predict willingness to spend on each attribute and its sub-attribute, Chi Square tests were performed.

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**5.2.5.1 Chi Square Tests**

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**5.2.5.2 Chi Square Tests**

In order to answer the research question on whether cluster can predict willingness to spend on each attribute and its sub-attribute, Chi Square tests were performed.

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## **5.2 Descriptive Statistics**

The raw data collected via the questionnaire was analysed by means of the STATISTICA data analysis software programme, version 10 (StatSoft, 2011). The 'cleaning' of the data, in order that it was ready for analysis, was performed by firstly eliminating all respondents who were deemed illegible to complete the questionnaire based on their response to the screening question. The question asked whether the respondent had attended a concert in South Africa. If the respondent answered in the negative to this question, they were removed.

The data that had been cleaned consisted of a matrix of respondents' responses to thirty-three questions, which were split into groups and described as attributes, sub-attributes and values based on responses to the ordinal variables. The questionnaire consisted of open ended, rank and value scale questions. Demographic responses related to age, sex, genre preference, race, ticket buying method and ticket class were included in the questionnaire.

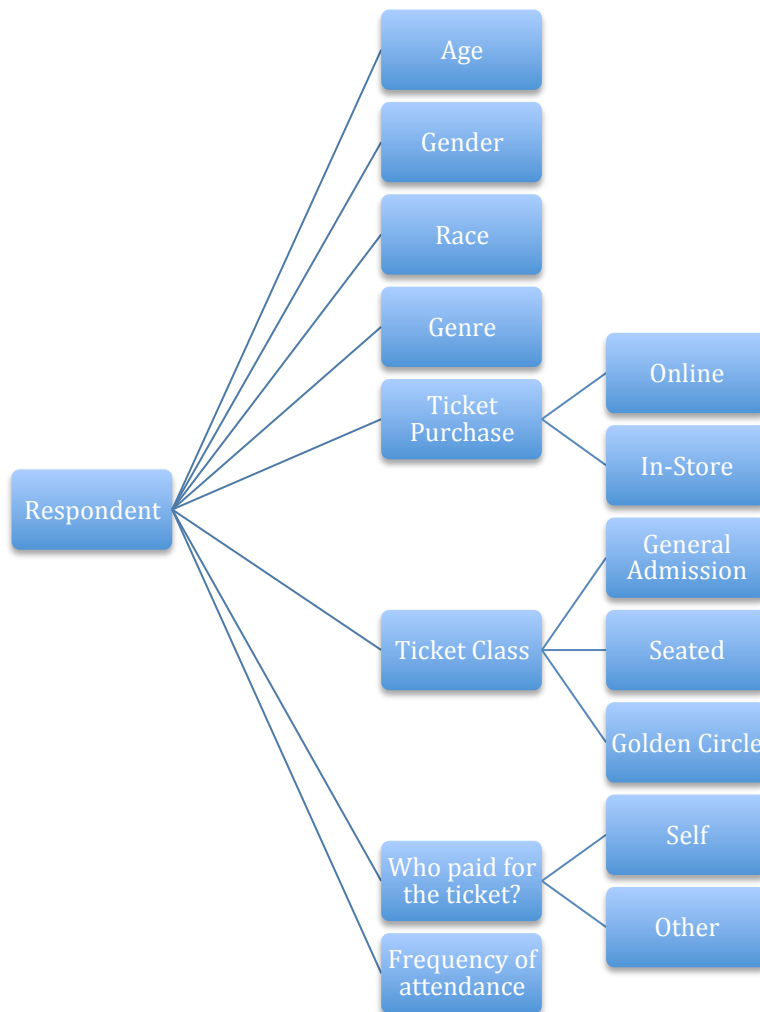
### **5.2.1 Description of Responses**

Out of the 250 respondents targeted by e-mail and the broad marketing of the questionnaire on Facebook, 120 responses to the questionnaire were received. It is impossible to estimate the response rate given the social media-marketing element engaged in on Facebook. Of these 120 respondents, four were removed as a result of the fact that they asserted that they had not attended a concert in South Africa. The total number of usable responses was thus 116.

## 5.2.2 Description of Respondents

### Demographics

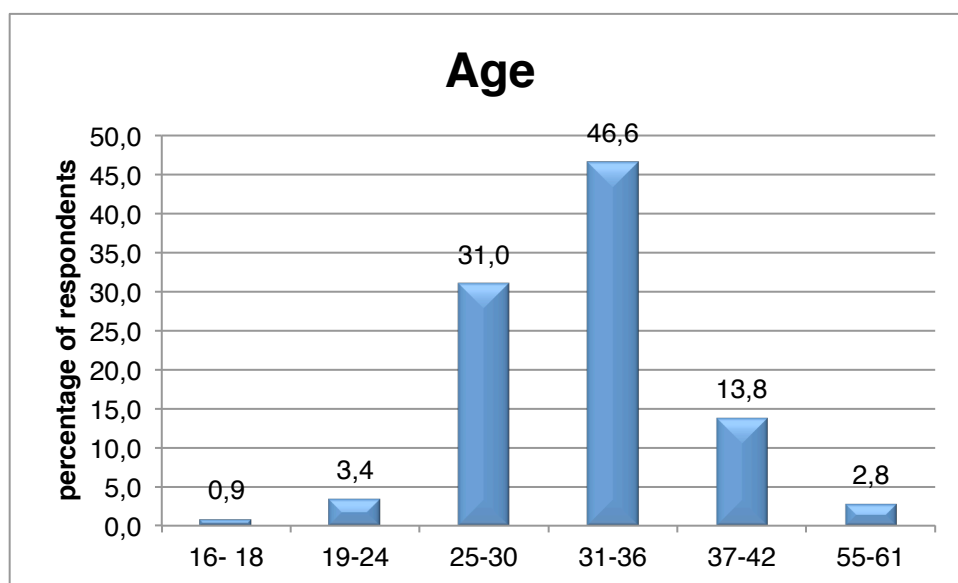
The demographic focused pages to follow reveal the frequency distributions for respondent variables. Figure 6 shows the structure of the analysis of respondents.



**Figure 6: Respondent Analysis**

## Age

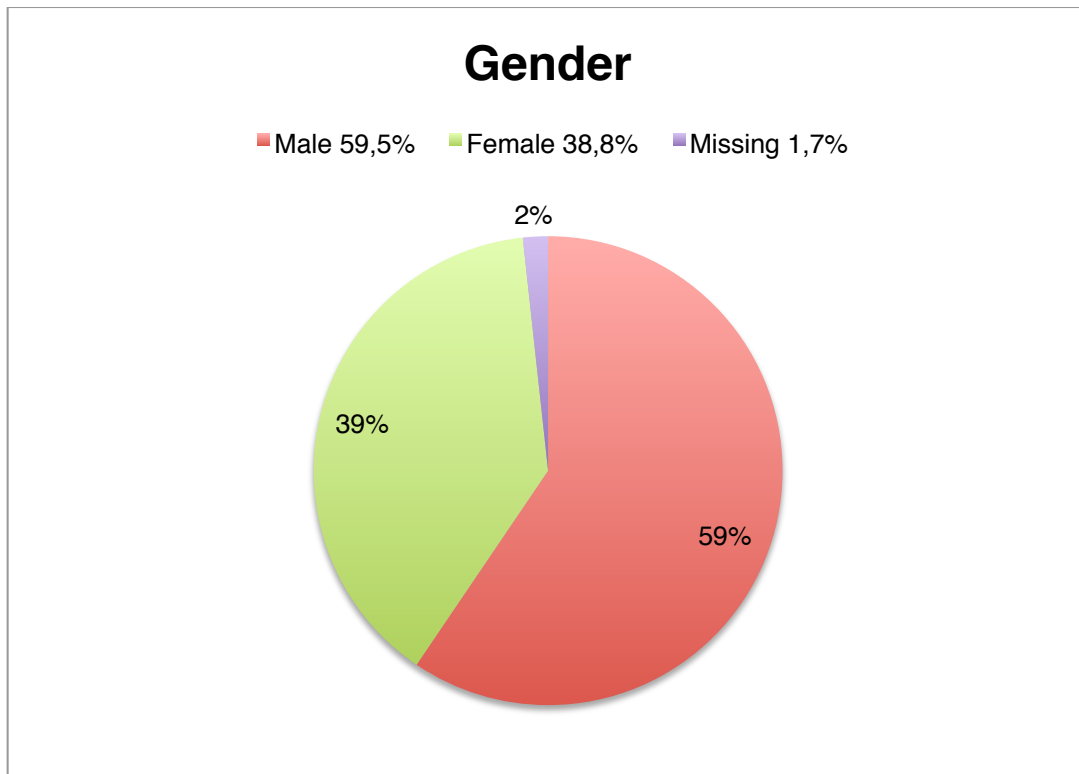
As is shown in Figure 7, the age distribution of the respondents in this study approximates a traditional bell curve with its mean in the range of 31 to 36 years old, with the majority of participants (77,6%) in the study aged between 25 and 36. The 16-18 year old group made up 0,9% of the respondents, the 19-24 year old group 3,4%, the 25-30 year old group 31%, the 31-36 year old group 46,6%, the 37-42 year old group 13,8%, the 55-61 year old group 2,8% and 1,7% of respondents did not complete the questionnaire section relating to age.



**Figure 7: Age**

## Gender

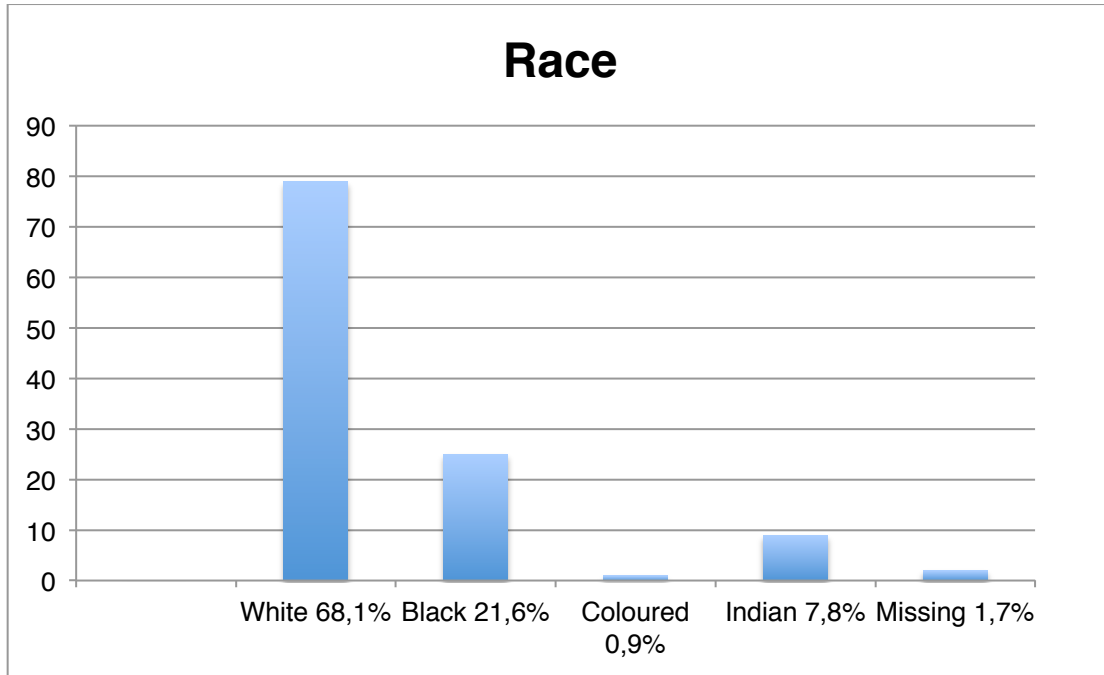
As shown in Figure 8, the respondents were made up of 59,5% male and 38,8% female, with 1,7% not completing the gender portion of the questionnaire.



**Figure 8: Gender**

### **Race**

As exhibited in Figure 9, the racial profile of the respondent group sees a White majority of 68,1%, followed by a Black contingent of 21,6%, 7,8% Indian, 0,9% Coloured and 0,7% did not complete the race portion of the questionnaire.



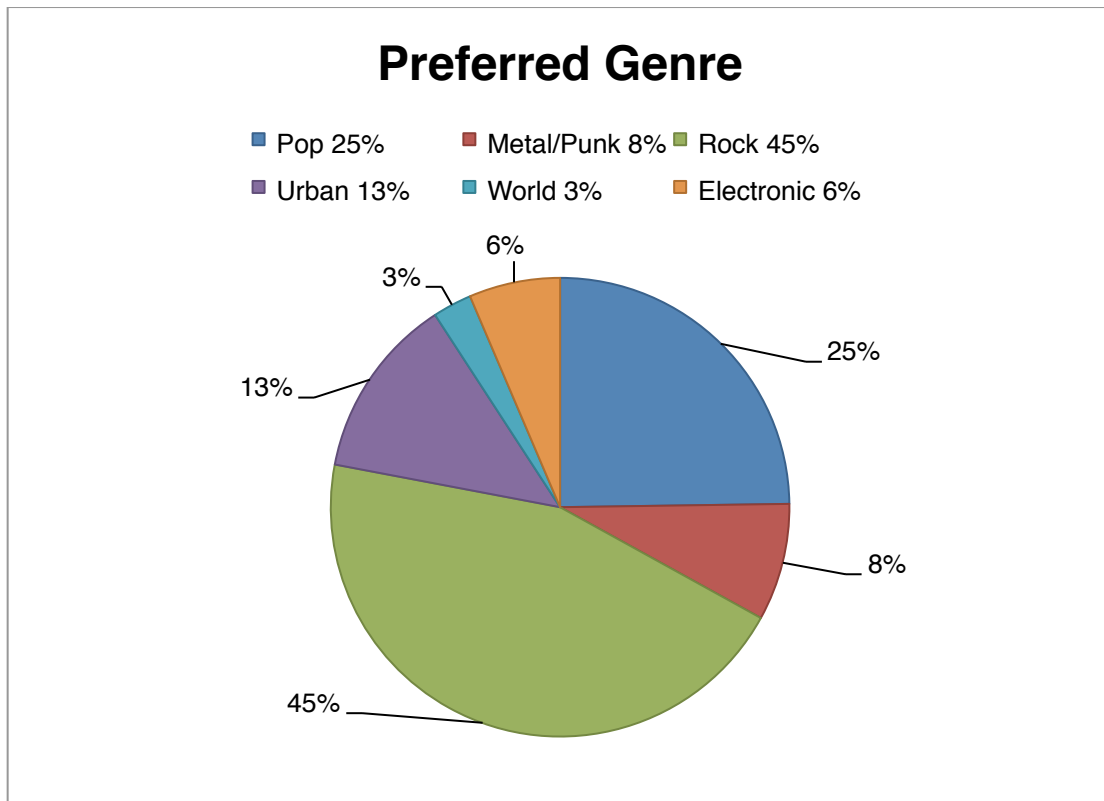
**Figure 9: Race**

### Genre

Respondents were asked to list which acts they would like to watch perform in South Africa. This request took the form of an open-ended question. The results were arranged into one of six genres:

- Electronic
- Metal/Punk
- Pop
- Rock
- World
- Urban

Figure 10 reveals that the majority (45%) of respondents favour the Rock genre, 25% prefer Pop, Urban is the choice for 13%, 8% have a preference for Metal/Punk, 6% favour Electronic and the final 3% prefer World music.

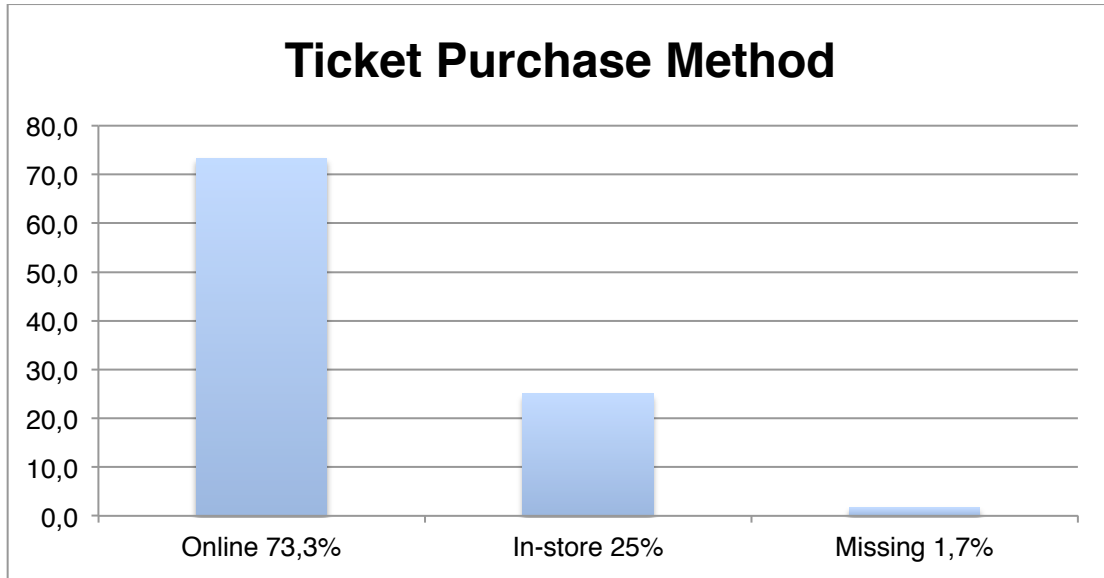


**Figure 10: Preferred Genre**

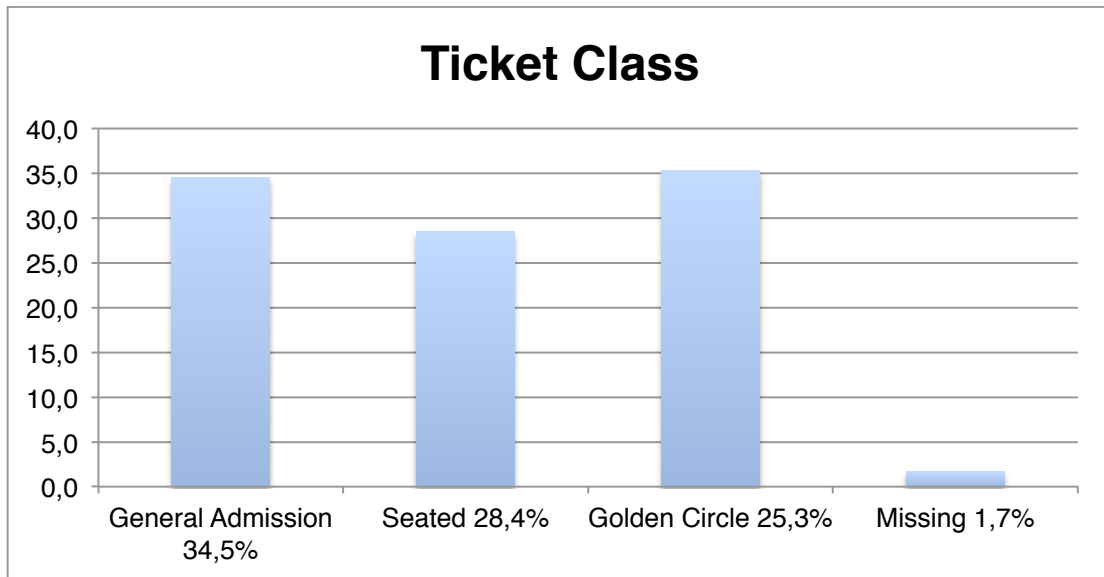
#### **Ticket class and purchase method**

As per Figure 11, when purchasing tickets for the last concert they attended, 73,3% of the respondents bought their tickets online, while 25% of them bought their tickets in-store and 1,7% did not complete the relevant part of the questionnaire in both the case of ticket class selected as well as purchase method used. When asked about the ticketing service used, Computicket was almost exclusively cited. The exceptions were from respondents who did not know what ticketing service they used. Figure 12 shows that 34,6% of respondents bought General Admission tickets, 28,4% bought Seated tickets and 25,3% selected Golden Circle tickets.





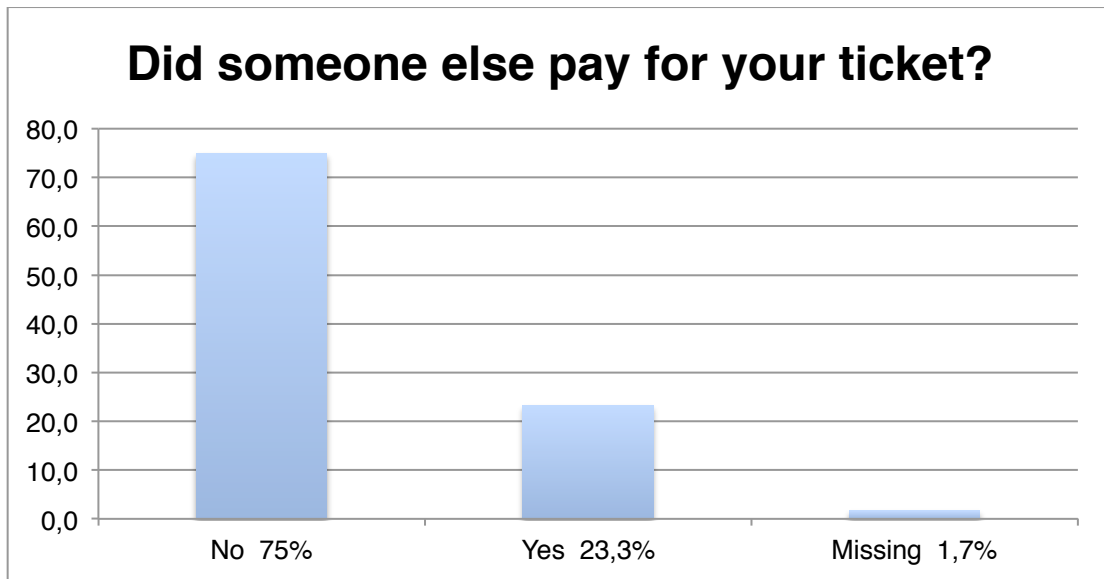
**Figure 11: Ticket Purchase Method**



**Figure 12: Ticket Class**

**Ticket purchaser**

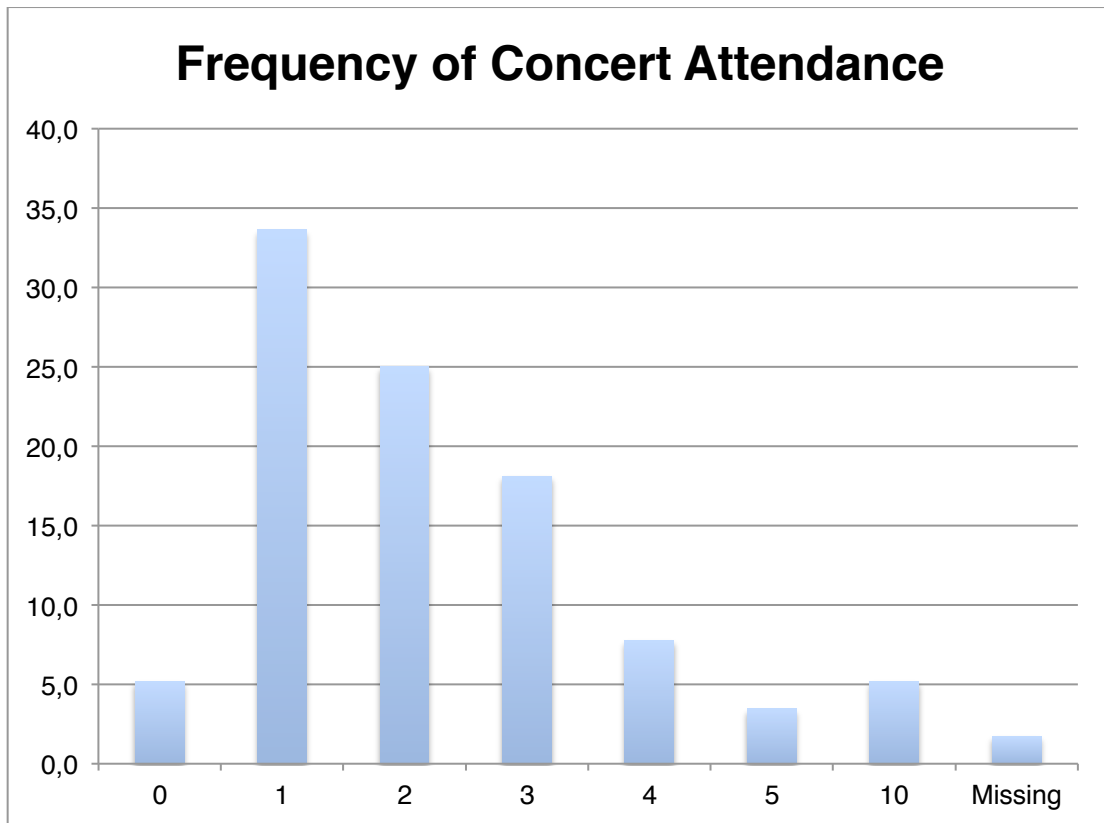
As outlined in Figure 13, 75% of respondents paid for their own tickets, while 23,3% of tickets were paid for by other parties on behalf of the respondent, and 1,7% of respondents did not complete the question.



**Figure 13: Did someone else pay for your ticket?**

#### **Frequency of concert attendance**

Figure 14 reveals that the majority (33,6%) of respondents only attend one concert per year, followed by a gradual downward trend with 25% attending two concerts per year, 18,1% three per year, 7,8% four per year and 3,4% five per year, before increasing to 5,2% attending ten concerts per year. There was a contingent of 1,7% of respondents who did not complete the question, and 5,2% said they attended no concerts.



**Figure 14: Concert Attendance**

### 5.2.3 Willingness to Pay

This section addresses the first research question. The research questions are restated for ease of reference:

#### Research question 1:

Are people willing to pay for the various concert-related attributes and sub-attributes?

This section looks at frequency distributions for willingness to pay categories for each attribute and sub-attribute thereof. Figure 15 shows percentages of respondents willing to pay more than R50 by attribute.

## Percentage of respondents willing to pay more than R50 by attribute

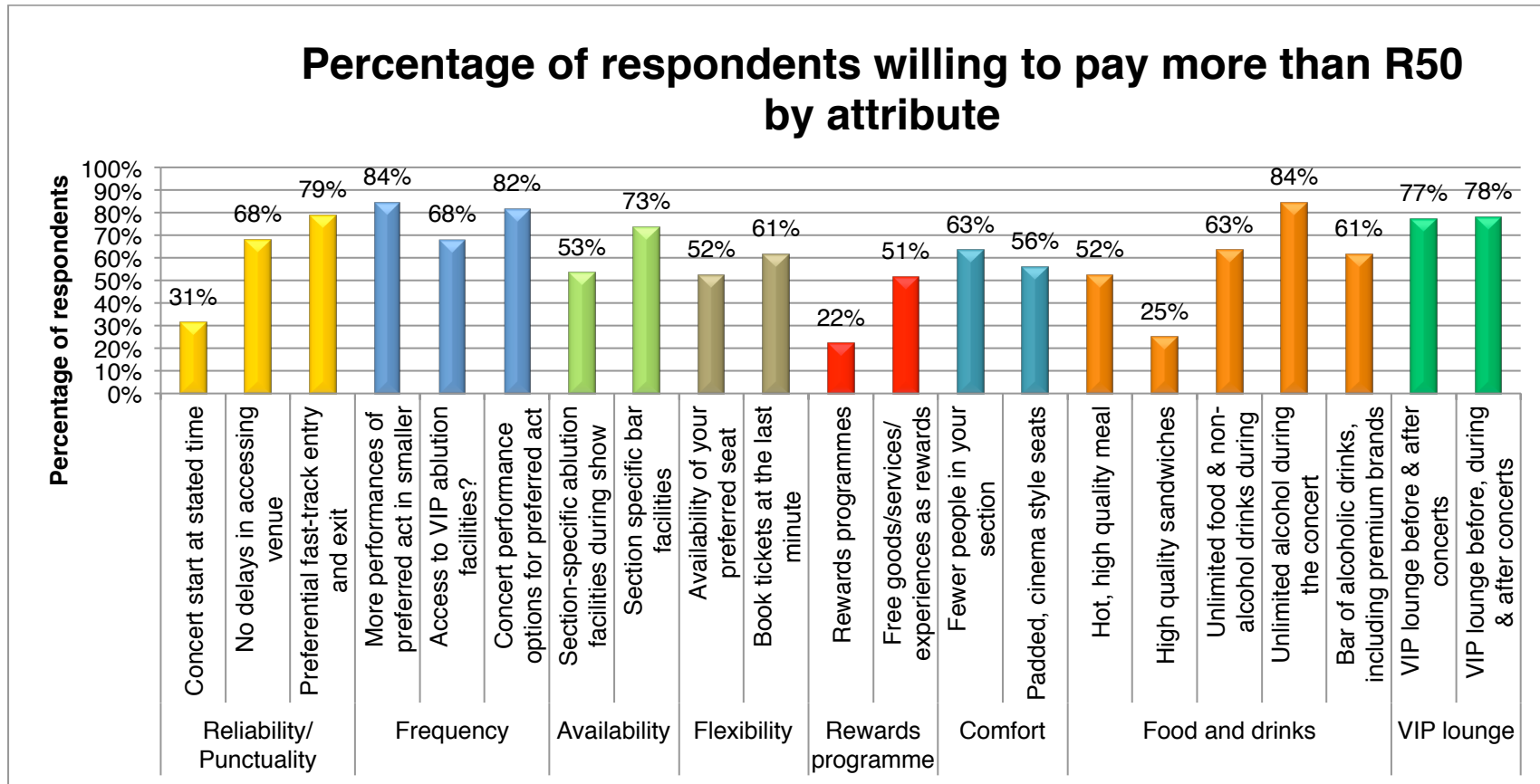


Figure 15: Percentage of respondents willing to pay more than R50 by attribute

### **Reliability/Punctuality**

The attribute of Reliability/Punctuality is made up of three sub-attributes. It was found that 31% of respondents were willing to pay more than R50 for the concert to start on time, whilst 68% were willing to pay for a lack of delays when accessing the venue and the greatest number (69%) were willing to pay for preferential fast-track entry and exit from the venue. (See Figure 15)

### **Frequency**

When viewing the attribute of Frequency, questions answered on the sub attributes revealed that 84% of respondents were willing to spend more than R50 for more performances by their preferred act in smaller venues, 68% displayed a willingness to pay for access to VIP ablution facilities and 82% were willing to pay for multiple performance options by the same act. (See Figure 15)

### **Availability**

Section-specific ablution facilities were rated as a sub-attribute for which 53% of the respondents in the Availability attribute category were willing to pay more than R50 for, while the greater number of 73% displayed a propensity to pay for section-specific bar facilities. (See Figure 15)

### **Flexibility**

The Flexibility metric saw 52% of respondents willing to pay more than R50 for their preferred seat, while 61% of respondents would pay extra to be able to book their tickets at the last minute. (See Figure 15)

### **Rewards programme**

Only 22% of the respondents said that they were willing to spend more than R50 to take part in a rewards programme, but 51% said they would pay more than R50 to gain access to free goods and services. (See Figure 15)

### **Comfort**

A total of 63% of respondents displayed a propensity to pay for the comfort of having fewer people in their particular section, and 56% were willing to pay extra for padded, cinema-style seats at concerts. (See Figure 15)

### **Food and drinks**

Only 25% of respondents said that they would pay extra for high quality cold sandwiches, while 52% said they would pay extra for a high quality hot meal at the show. 53% were willing to pay for unlimited food and non-alcoholic drinks during the concert, 61% said they would pay for access to a bar which featured a broader range of beverages, including premium brands, and the greatest number of people in the attribute category (84%) said that they would pay to have an unlimited supply of alcohol during the concert. (See Figure 15)

### **Vip lounge**

The metrics for the VIP Lounge measurement reveal only a one percentage point increase in the willingness to pay for access to the VIP Lounge before and after the show (77%) and having access before, during and after the show (78%). (See Figure 15)

#### **5.2.4 Ticket Class as a Predictor**

##### Research question 2:

Can ticket class predict willingness to spend on each attribute and its sub-attributes?

In order to answer the research question on whether ticket class can predict willingness to pay for each concert service and product attribute and its sub-attribute, Chi Square tests were performed. Assuming a 10% level of significance, the only significant relation found was between ticket class and willingness to pay for access to a bar selling a wider range of alcoholic drinks, including premium brands (Chi Square(6) = 11.780,  $p < .10$ ) (See Table 3)

There is thus little evidence supporting the relation between ticket class and willingness to spend on each attribute and its sub-attributes.

**Table 3: Ticket class purchased**

		What class of ticket did you purchase? -					Pearson	
Attribute	Sub-attribute	Spend	General Admission	Seated	Golden Circle	Total	Chi-square df=6	p
Reliability/ Punctuality	to know that the concert will start at the stated time.	R0-50	70%	64%	68%	68%	0.828236	p=.991
		R51-100	15%	21%	17%	18%		
		R101-200	10%	12%	10%	11%		
		R201+	5%	3%	5%	4%		
	to not experience any delays in gaining access to the venue.	R0-50	38%	33%	24%	32%	5.13982	p=.526
		R51-100	33%	39%	37%	36%		
		R101-200	18%	24%	32%	25%		
		R201+	13%	3%	7%	8%		
	have preferential fast-track entry and exit at the venue?	R0-50	33%	21%	10%	21%	8.43949	p=.207
		R51-100	18%	24%	24%	22%		
		R101-200	28%	42%	41%	37%		
		R201+	21%	12%	24%	19%		
Frequency	to have more performances featuring your preferred act, in smaller venues rather than a single show in a large venue?	R0-50	10%	21%	17%	16%	5.89693	p=.434
		R51-100	20%	21%	10%	17%		
		R101-200	23%	30%	29%	27%		
		R201+	48%	27%	44%	40%		
to have access to VIP ablution facilities?	R0-50	38%	36%	22%	32%	6.02591	p=.420	
	R51-100	25%	21%	27%	25%			



		R101-200	28%	18%	24%	24%		
		R201+	10%	24%	27%	20%		
	to know that you have several options for concert performances featuring your preferred act?	R0-50	18%	24%	15%	18%	5.65433	p=.463
		R51-100	25%	18%	24%	23%		
		R101-200	20%	36%	22%	25%		
		R201+	38%	21%	39%	33%		
Availability	for the availability of section-specific ablution facilities during the show?	R0-50	45%	48%	44%	46%	5.69592	p=.458
		R51-100	28%	13%	20%	21%		
		R101-200	13%	29%	17%	19%		
		R201+	15%	10%	20%	15%		
	for the availability of section specific bar facilities?	R0-50	23%	35%	24%	27%	2.1431	p=.906
		R51-100	25%	16%	24%	22%		
		R101-200	28%	26%	29%	28%		
		R201+	25%	23%	22%	23%		
Flexibility	to be assured availability of your preferred seat?	R0-50	43%	55%	44%	46%	3.68345	p=.719
		R51-100	20%	13%	29%	21%		
		R101-200	23%	19%	17%	20%		
		R201+	15%	13%	10%	13%		
	to be able to book tickets at the last minute	R0-50	35%	45%	34%	38%	3.09537	p=.796
		R51-100	25%	16%	20%	21%		
		R101-200	25%	26%	22%	24%		
		R201+	15%	13%	24%	18%		
Rewards programme	to participate in rewards programmes that may be offered by	R0-50	75%	84%	73%	77%	5.07682	p=.533
		R51-100	18%	3%	15%	13%		
		R101-200	3%	10%	7%	6%		

	the promoter?	R201+	5%	3%	5%	4%		
	to have the promoter	R0-50	35%	58%	54%	48%		
	give you free	R51-100	38%	23%	22%	28%		
	goods/services/experie	R101-200	18%	13%	15%	15%	5.04721	p=.537
	nces as rewards for							
	supporting their							
	shows?	R201+	10%	6%	10%	9%		
		R0-50	38%	35%	35%	36%		
	to have fewer people in	R51-100	23%	29%	15%	22%	2.70095	p=.845
	your section during the	R101-200	20%	16%	23%	20%		
	show?	R201+	20%	19%	28%	23%		
Comfort		R0-50	45%	29%	53%	43%		
	to have padded,	R51-100	20%	32%	25%	25%	6.33057	p=.387
	cinema style seats?	R101-200	15%	16%	15%	15%		
		R201+	20%	23%	8%	16%		
		R0-50	48%	32%	58%	47%		
	to have a hot, high	R51-100	23%	26%	13%	20%	5.15141	p=.524
	quality meal?	R101-200	20%	29%	20%	23%		
		R201+	10%	13%	10%	11%		
		R0-50	73%	71%	80%	75%		
Food and	to have cold, high	R51-100	15%	19%	15%	16%	2.58832	p=.858
drinks	quality sandwiches?	R101-200	8%	6%	5%	6%		
		R201+	5%	3%	0%	3%		
	to get an unlimited	R0-50	40%	29%	38%	36%		
	amount of food and	R51-100	18%	16%	20%	18%	1.66724	p=.947
	non-alcoholic drinks	R101-200	20%	26%	23%	23%		

	during the concert?	R201+	23%	29%	20%	23%		
	to get an unlimited amount of alcoholic drinks during the concert?	R0-50	13%	19%	15%	15%	4.23036	p=.645
		R51-100	10%	13%	20%	14%		
		R101-200	33%	39%	25%	32%		
		R201+	45%	29%	40%	39%		
	to have access to a bar selling a wider range of alcoholic drinks, including premium brands?	R0-50	53%	29%	30%	38%	11.7803	p=.067
		R51-100	13%	45%	33%	29%		
		R101-200	20%	10%	20%	17%		
		R201+	15%	16%	18%	16%		
	to have full access to the amenities in the VIP lounge before and after the concert?	R0-50	18%	32%	20%	23%	5.31386	p=.504
		R51-100	13%	16%	25%	18%		
		R101-200	25%	16%	15%	19%		
		R201+	45%	35%	40%	41%		
VIP lounge	to have full access to the amenities in the VIP lounge before, during and after the concert?	R0-50	13%	32%	23%	22%	4.50989	p=.608
		R51-100	13%	10%	10%	11%		
		R101-200	25%	16%	18%	20%		
		R201+	50%	42%	50%	48%		
	Total	Total	21.10%	43.12%	35.78%	100.00%		

### **5.2.5 Demographics as a Predictor**

#### Research question 3:

Can demographics and other person-related variables such as age, gender and preferred music genre, among others, predict willingness to spend on each attribute and its sub-attributes?

The logic underlying the cluster analysis was to be able to identify groups of people with similar patterns of value systems relating to preferred concert-related attributes, and to understand who these groups of respondents were in terms of all the other variables used in the study (e.g. age, gender, preferred music genre etc.). Understanding the different types of concert goers with different preferences and with different levels of willingness to pay for attributes would assist in directing marketing campaigns for specific concert-related attributes.

For the purpose of identifying subgroups or clusters, cluster analysis using K-Means clustering of the eight value preference items was employed. This analysis yielded two clusters of 58 and 51 members each, however a Mann-Whitney U Test comparing these clusters showed that the clusters did not differ significantly on four of the eight value items. (See table 4)

**Table 4: Cluster analysis**

Value items	Rank Sum - Group 1	Rank Sum - Group 2	U	Z	p-value	2*1sided - exact p
that concerts occur as advertised and start on time.	3089	2906	1378	-0.610	0.5416	0.5431
that a concert promoter offers many performances (frequency) of a particular show.	1845.5	4149.5	134.5	-8.162	0.0000	0.0000
that I be able to book tickets online.	3118	2877	1407	-0.434	0.6641	0.6654
to be able to upgrade the services offered by my ticket (EG VIP ablution facilities)	2929	3066	1218	-1.582	0.1137	0.1139
that concert promoter has a rewards programme.	3021	2974	1310	-1.023	0.3062	0.3075
that I have comfortable seats during the concert.	4278	1717	391	6.604	0.0000	0.0000
the quality of food and drinks at the concert	3598	2397	1071	2.475	0.0133	0.0129
that the concert has VIP lounge facilities.	3695.5	2299.5	973.5	3.067	0.0022	0.0019

In order to describe these clusters in more detail, cross correlations were computed on all the other variables of the study.

These variables were:

- Gender,
- Race,
- Age category,
- Ticket class,
- Method of ticket purchase,
- Concert attendance, and
- Genre of choice.

The clusters were compared based on the percentages in Table 7 (Demographics) In this table the clusters are compared across each level of the variables. A robot-type colour coding system has been used such that the cluster with the highest percentage representation of the particular level of each variable is shaded green for the cluster with the highest frequency, red for the cluster with the lowest frequency, and yellow for the cluster with frequency in between. Thus, for example, Cluster 1 has the lowest representation of males, while Cluster 3 has the highest representation of males.

**Table 6: Cluster means**

Cluster means

Clusters	that a concert promoter offers many performances (frequency) of a particular show.	that I have comfortable seats during the concert.	the quality of food and drinks at the concert	that the concert has VIP lounge facilities.	Number of cases	%
1	3.00	6.96	3.00	6.35	23	21.10
2	6.21	3.43	3.77	5.32	47	43.12
3	2.41	4.79	6.00	6.92	39	35.78

In order to describe these clusters in more detail, cross correlations were computed on all the other variables of the study.

These variables were:

- Gender,
- Race,
- Age category,
- Ticket class,
- Method of ticket purchase,
- Concert attendance, and
- Genre of choice.

The clusters were compared based on the percentages in Table 7 (Demographics) In this table the clusters are compared across each level of the variables. A robot-type colour coding system has been used such that the cluster with the highest percentage representation of the particular level of each variable is shaded green for the cluster with the highest frequency, red for the cluster with the lowest frequency, and yellow for the cluster with frequency in between. Thus, for example, Cluster 1 has the lowest representation of males, while Cluster 3 has the highest representation of males.



**Table 7: Demographics**

					Row
		Cluster 1	Cluster 2	Cluster 3	Total
What is your gender?	Male	57%	60%	64%	61%
	Female	43%	40%	36%	39%
What is your race?	White	78%	68%	72%	72%
	Black	4%	28%	21%	20%
	Coloured	0%	0%	3%	1%
	Indian	17%	4%	5%	7%
Which category below includes your age?	16- 18	0%	2%	0%	1%
	19-24	9%	4%	0%	4%
	25-30	39%	36%	23%	32%
	31-36	39%	40%	62%	48%
	37-42	13%	15%	13%	14%
	55-61	0%	2%	3%	2%
What class of ticket did you purchase?	General Admission	26%	40%	38%	37%
	Seated	22%	30%	26%	27%
	Golden Circle	52%	30%	36%	37%
How did you buy your ticket?	Online	87%	72%	69%	74%
	In-store	13%	28%	31%	26%
Did someone else pay for your ticket?	No	83%	66%	82%	75%
	Yes	17%	34%	18%	25%
How many concerts do you attend per year?	0	0%	4%	8%	5%

	1	13%	40%	33%	32%
	2	35%	26%	23%	27%
	3	30%	15%	18%	19%
	4	9%	6%	10%	8%
	5	4%	4%	3%	4%
	10	9%	4%	5%	6%
Preferred genre	Pop	39%	21%	21%	25%
	Metal/Punk	4%	9%	10%	8%
	Rock	48%	38%	51%	45%
	Urban	4%	19%	10%	13%
	World	0%	6%	0%	3%
	Electronic	4%	6%	8%	6%
	Total	100%	100%	100%	100%

Moreover, the percentages of respondents within each cluster were presented by each willingness to spend level of each attribute and sub-attribute in Table 8.

**Table 8: Attributes and sub-attributes**

Attribute	Sub-attribute	Cluster1	Cluster2	Cluster3	Total	Pearson		
						Chi-square	p	
		R0-50	70%	77%	59%	69%	7.280	0.296
	to know that the concert will start at the stated time.	R51-100	9%	15%	26%	17%		
		R101-200	17%	6%	8%	9%		
		R201+	4%	2%	8%	5%		
Reliability/ Punctuality		R0-50	30%	26%	41%	32%	5.49	0.482
	to not experience any delays in gaining access to the venue.	R51-100	30%	45%	28%	36%		
		R101-200	26%	26%	21%	24%		
		R201+	13%	4%	10%	8%		
		R0-50	17%	17%	28%	21%	4.236	0.645
	have preferential fast-track entry and exit at the venue?	R51-100	30%	22%	18%	22%		
		R101-200	26%	41%	38%	37%		
		R201+	26%	20%	15%	19%		
Frequency		R0-50	9%	17%	18%	16%	7.037	0.317
	to have a greater number of performances featuring your preferred act, in smaller venues rather than a single show in a large venue?	R51-100	9%	26%	10%	17%		
		R101-200	30%	26%	26%	27%		
		R201+	52%	32%	46%	41%		
		R0-50	26%	36%	31%	32%	5.452	0.487
	to have access to VIP ablution facilities?	R51-100	35%	19%	26%	25%		
		R101-200	17%	19%	31%	23%		

		R201+	22%	26%	13%	20%		
	to know that you have several options for concert performances featuring your preferred act?	R0-50	13%	21%	18%	18%	2.701	0.845
		R51-100	26%	28%	18%	24%		
		R101-200	26%	19%	31%	25%		
		R201+	35%	32%	33%	33%		
Availability	for the availability of section-specific ablution facilities during the show?	R0-50	43%	47%	49%	47%	2.190	0.901
		R51-100	22%	19%	23%	21%		
		R101-200	17%	23%	13%	18%		
		R201+	17%	11%	15%	14%		
Availability	for the availability of section specific bar facilities?	R0-50	13%	28%	33%	27%	4.242	0.644
		R51-100	30%	21%	21%	23%		
		R101-200	30%	23%	28%	27%		
		R201+	26%	28%	18%	24%		
Flexibility	to be assured availability of your preferred seat?	R0-50	48%	49%	46%	48%	3.473	0.747
		R51-100	17%	23%	21%	21%		
		R101-200	13%	19%	23%	19%		
		R201+	22%	9%	10%	12%		
Flexibility	to be able to book tickets at the last minute	R0-50	39%	40%	36%	39%	3.263	0.775
		R51-100	13%	23%	23%	21%		
		R101-200	22%	19%	28%	23%		
		R201+	26%	17%	13%	17%		
Rewards programme	to participate in rewards programmes that may be offered by the promoter?	R0-50	61%	85%	79%	78%	11.532	0.073
		R51-100	26%	11%	8%	13%		

		R101-200	13%	2%	5%	6%		
		R201+	0%	2%	8%	4%		
	to have the promoter give you free goods/services/experiences as rewards for supporting their shows?	R0-50	43%	51%	49%	49%	2.141	0.906
		R51-100	26%	30%	28%	28%		
		R101-200	22%	15%	13%	16%		
		R201+	9%	4%	10%	7%		
		R0-50	48%	32%	36%	37%	3.759	0.709
	to have fewer people in your section during the show?	R51-100	17%	21%	26%	22%		
		R101-200	13%	19%	23%	19%		
		R201+	22%	28%	15%	22%		
Comfort		R0-50	65%	40%	36%	44%	15.72	0.015
	to have padded, cinema style seats?	R51-100	22%	17%	38%	26%		
		R101-200	4%	28%	8%	16%		
		R201+	9%	15%	18%	15%		
		R0-50	43%	36%	64%	48%	9.148	0.165
	to have a hot, high quality meal?	R51-100	17%	28%	13%	20%		
		R101-200	30%	21%	18%	22%		
		R201+	9%	15%	5%	10%		
Food and drinks		R0-50	74%	66%	87%	75%	13.703	0.033
	to have cold, high quality sandwiches?	R51-100	13%	28%	5%	17%		
		R101-200	13%	2%	8%	6%		
		R201+	0%	4%	0%	2%		
	to get an unlimited amount of food and	R0-50	39%	32%	41%	37%	5.626	0.466

	non-alcoholic drinks during the concert?	R51-100	9%	17%	26%	18%		
		R101-200	30%	26%	13%	22%		
		R201+	22%	26%	21%	23%		
		R0-50	9%	15%	21%	16%	3.349	0.764
	to get an unlimited amount of alcoholic drinks during the concert?	R51-100	9%	17%	15%	15%		
		R101-200	35%	30%	33%	32%		
		R201+	48%	38%	31%	38%		
		R0-50	17%	43%	46%	39%	5.915	0.433
	to have access to a bar selling a wider range of alcoholic drinks, including premium brands?	R51-100	35%	28%	26%	28%		
		R101-200	26%	15%	15%	17%		
		R201+	22%	15%	13%	16%		
		R0-50	17%	19%	31%	23%		
		R51-100	26%	15%	15%	17%	4.120	0.660
VIP lounge	to have full access to the amenities in the VIP lounge before and after the concert?	R101-200	13%	23%	18%	19%		
		R201+	43%	43%	36%	40%		
		R0-50	17%	23%	23%	22%		
		R51-100	13%	11%	10%	11%	1.930	0.926
	to have full access to the amenities in the VIP lounge before, during and after the concert?	R101-200	26%	15%	23%	20%		
		R201+	43%	51%	44%	47%		
		R0-50	17%	23%	23%	22%		
Total		Total	21.10%	43.12%	35.78%	100%		

Based on the percentages of Tables 7 and 8, the clusters are described as follows:

Cluster 1 – ‘Linkin Park’ concert-goers. Compared to other clusters, they are more often female, white or Indian, 19-39 years old, have Golden Circle tickets, buy their tickets online and pay for them themselves, attend concerts more than the other clusters and are willing to pay for unlimited alcohol. They will spend more for smaller venues, will spend on rewards programmes and on getting rewards. They are the heaviest drinkers and will pay more for premium branded drinks. They are the most committed to the gigs and Rock/Electronic.

Cluster 2 – ‘Carla Bruni’ concert-goers. Compared to other clusters, they are more often black, 16-18 or 37-42 years old, found more often in lower priced seats, more often paid for by others, and attend fewer concerts. They are not prepared to spend more for smaller venues, and spend less than Cluster 1 on preferred seats. They are not at all interested in rewards programmes and spending on getting rewards. They will, however, spend more on padded seats as the comfort of their seats is important to them. Their seats are more often paid for by others and they want VIP treatment. They enjoy Urban/World music.

Cluster 3 – ‘Rolling Bones’ concert-goers. Compared to other clusters, they are more often male and in older age groups, and more frequently buy tickets in-store. They are happy to pay more for the gig to start on time, willing to pay more for more performances, but do not want to pay more for alcohol or premium alcohol facilities. They are not interested in rewards, but will pay more for padded seats. They enjoy Rock and Metal/Punk music.

In order to answer the research question on whether cluster types can predict willingness to pay for concert service and product attributes on each attribute and its sub-attribute, Chi Square tests were performed. Assuming a 10% level

of significance, three significant relations were found between cluster type and willingness to pay, i.e. to participate in rewards programmes that may be offered by the promoter (Chi Square(6) = 11.532,  $p < .10$ ); to have padded, cinema-style seats (Chi Square(6) = 15.72,  $p < .05$ ); and to have cold, high quality sandwiches (Chi Square(6) = 13.704,  $p < .05$ ).

In summary, by understanding the characteristics of people comprising these clusters, the marketing of the attributes of rewards programmes, padded, cinema-style seats and high quality food can be more direct.

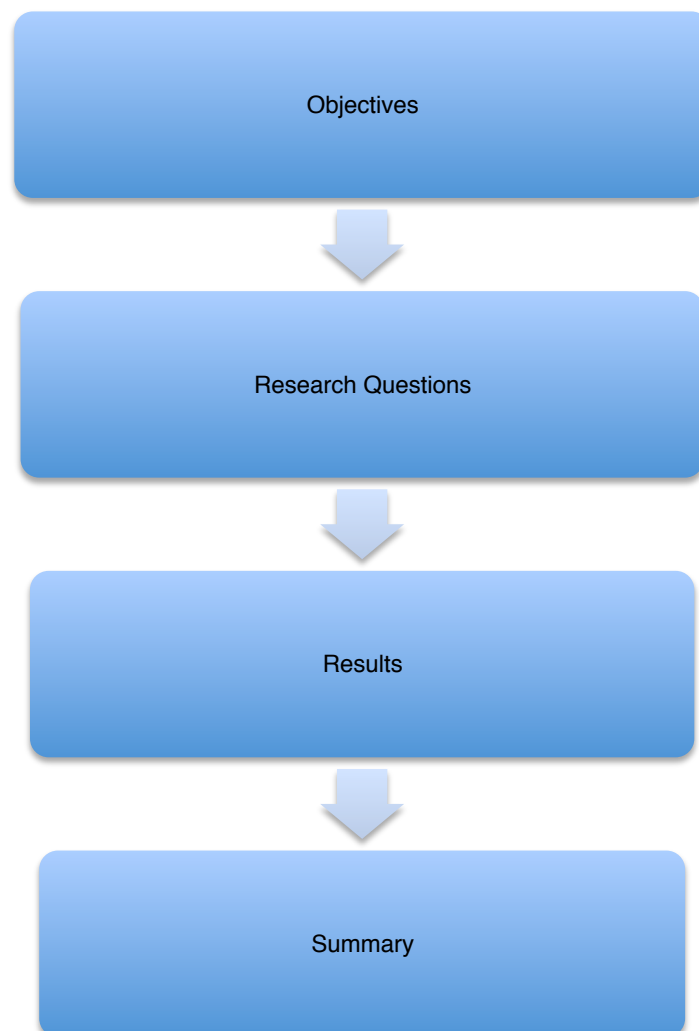


## CHAPTER 6 - DISCUSSION OF RESULTS

### 6.1 Introduction

The research objectives of this study are addressed in the discussion that follows in this chapter. This is achieved through addressing each question, giving insight into the discoveries with regard to the study's context, the literature review and the sample.

The dialogue around the results are structured as follows:



**Figure 16: Discussion of results**

## **Research objectives**

Of primary importance in the conducting of this research was the attainment of an understanding of concert service and product attributes which are valued by customers, as well as the understanding of audience willingness to pay for these attributes.

Secondly, the research aimed to rank, in order of importance to the consumer, the attributes in accordance with the consumers' willingness to pay for the attributes, with a view to determining how the independent service and product attributes affect the consumers' willingness to pay for those attributes.

The third goal was to relate the varying degrees of willingness to pay for the attributes in question, with variables such as ticket class and person-related variables, for example age group, gender and preferred genre, amongst others.

## **Research questions restated**

### Research question 1:

Are people willing to pay for the various concert-related attributes and sub-attributes?

### Research question 2:

Can ticket class predict willingness to spend on each attribute and its sub-attributes?

### Research question 3:

Can demographics and other person-related variables such as age, gender and preferred music genre, amongst others, predict willingness to spend on each attribute and its sub-attributes?

In order to achieve the objectives set, and to answer the questions posed, quantitative research was conducted by means of a structured online questionnaire via [www.SurveyMonkey.com](http://www.SurveyMonkey.com). The research strategy used was a mixture of descriptive, with the goal of describing variables such as willingness to pay for concert-related attributes, as well as correlational, with the goal of trying to find associations between willingness to pay various amounts for concert-related attributes and variables such as ticket class or type of person (Cooper & Schindler, 2006).

The study used statistical analysis to depict, encapsulate and transform the collected responses so that they could be interpreted and thereby answer the research questions. In order, K-Means clustering, Mann-Whitney U Test and Chi Square tests were used.

## **Results**

### Research question 1:

Are people willing to pay for the various concert-related attributes and sub-attributes?

The research revealed that there was a willingness to pay for sub-attributes of the Reliability/Punctuality attribute, with 31% of respondents willing to pay more than R50 extra for the show to start on time, 68% willing to pay to avoid delays when entering the venue and 69% willing to pay extra for preferential fast-track entry and exit from the concert. These results indicate a strong bias towards not only reliability and punctuality, but also convenience around entry and exit of the venue. Concerts, like any event where large crowds of people are required enter and exit a space at the same time, suffer peak traffic flow

congestion in both pedestrian entry and egress as well as vehicular parking and departure.

The research results indicate a clear opportunity for promoters to charge a premium for the privilege of prioritised entry and exit from concerts. The challenge is to maintain the viability of the service by means of limiting the number of audience members that can purchase the option. Fortunately, this has the added benefit of creating a sense of scarcity, thereby driving up demand of the service, as well as the subsequent rate price that can be levied for the service.

Comments from the questionnaire on this subject included:

- I. "The transport situation to and from the concerts is the biggest concern."
- II. "Entry and exit is always a nightmare"
- III. "There is nothing worse than sitting in a 2-3 hour traffic jam when trying to leave the venue after a show - promoters need to put plans into place to address this."
- IV. "I find that the organisation can be chaotic. I find that movement into and out of concerts should be improved."
- V. "The fact that it can take a number of hours to reach or exit the venue/area makes me less willing to attend concerts."
- VI. "There should be dedicated "chilled" areas especially for traffic reasons, either getting to the concert early or waiting for traffic to subdue after the concert."

The statistics indicate that 82% of respondents would pay more for multiple performance options by an act and the greatest number (84%) would pay more for a greater number of performances in smaller venues. Both the latter points indicate a desire for more choice in when and where the audience can enjoy the act. By staging a number of shows in smaller venues, rather than a single show in a single, larger, venue, the audience has the opportunity of not only choosing which show to attend, but also to arguably enjoy a superior

experience by means of better facilities, acoustics and proximity to the act. The wish for these features is borne out by some of the comments received on the questionnaire, including the following:

- I. "Smaller venue, better quality of performance & sound, better seating, more space - these are the most important things!"
- II. "Concerts at The Dome tend to be a waste of time unless you are in the golden circle. The acoustics in the venue are terrible."
- III. "More concerts (maybe even slightly more expensive) but with a smaller venue."
- IV. "We need more regular, smaller venue concerts"
- V. "Would prefer to watch acts in smaller theatre type venues with decent seating, visibility and sound."

Economies of scale are lost, costs increase and artist availability decreases, or becomes more expensive, if one stages multiple performances, thus although the demand seemingly exists, it would be prudent to conduct further research into how elastic the demand is relative to the show size reduction proposed.

Whilst 68% of respondents were willing to pay extra to access VIP ablution facilities, 53% said they would pay extra for section-specific ablution facilities. Demand for allocated ablution facilities was reinforced in the respondent narrative on the questionnaire. This is a function that, like the priority entry and exit system discussed above, appears to be a viable proposition with a consumer value increase proportional to the demand being experienced.

When it came to seating, 52% indicated a willingness to pay extra for their preferred seat, 56% would pay extra for improved comfort by way of padded seats and 63% sought to have fewer people in their section. These factors could be interpreted as going hand-in-hand with each other in that they all relate to a sense of comfort, although the preferred seat metric is a sub-

attribute of “Flexibility”, and could be combined into a dedicated seating area satisfying these consumers’ wants in return for charging a premium. Of course, as is the case with all the proposals in this report, due diligence should be exercised in terms of execution costs versus potential reward.

Booking their ticket at the last minute appeared to be important to 61% of respondents, however, the small premium proposed as agreeable to these respondents does not appear realistic in terms of the supply and demand cycle of concerts. For this element to be successfully implemented, outside of a low demand instance, a large premium would need to be levied on the price of the ticket in order to justify the risk of not selling the ticket due to it being withheld from the market.

Rewards programmes do not appear to feature highly on the list of important attributes and sub-attributes of the respondents in this case, as only 22% indicated that they would be willing to pay extra to join a rewards programme. This number is, however, somewhat at odds with the desire by 51% of the respondents to receive free goods and services for a nominal fee. A clearer study on this element is recommended. With a more precise description of the goods, services, benefits and experiences that might be offered to audiences, combined with a clear indication of the costs involved, a more accurate picture may be presented.

Bar facilities were highlighted as being very important to the respondents, with 84% saying they would pay extra to have an unlimited supply of alcohol during the concert (this was particularly prevalent in the ‘Linkin Park’ cluster), 73% were prepared to pay for section-specific bar facilities and 61% demonstrated a willingness to pay for a bar with a broader range of products, including premium brands. This is backed up by comments from the questionnaire, including the following:

- I. “There is always an issue with drinks, either there is not enough catered for the masses and the choices of alcohol normally only catered for Beers and Ciders.”
- II. “Queuing for food and drinks also very annoying.”
- III. “It is also important to have decent food and bars that sell more than beer. There must be sufficient bars, etc. as the queues in most venues are too long.”

Improvement of bar facilities is an element that promoters should definitely pay attention to. Not only are customers willing to pay extra for access to the facilities, but the better access will lead to greater volumes and increased revenues.

The provision of high quality food was not an item that came up in the narrative feedback and only 25% of respondents said they would pay for high quality cold sandwiches, whilst 52% would pay for a high quality hot meal. Considering the statistical information shown in Chapter 5, the provision of a hot meal option should be included in the above-mentioned premium seating space, as both elements appeal to the ‘Carla Bruni’ cluster.

The demand for a VIP Lounge before, during and after is strong at 78% and should certainly be considered as an area for investment by promoters.

In summary, and to succinctly answer the research question, there does appear to be a significant willingness to pay extra for concert service and product attributes and promoters should act to take advantage of this.

#### Research question 2:

Can ticket class predict willingness to spend on each attribute and its sub-attributes?

The study revealed no significant link between ticket class and willingness to

spend on attributes or sub-attributes other than in the case of the provision of a bar selling premium brands which had a p-value of 0.067.

Thus, to answer to this question, based on the evidence extracted from and within the context of this study, is deemed to be no.

### Research question 3:

Can demographics and other person-related variables such as age, gender and preferred music genre, amongst others, predict willingness to spend on each attribute and its sub-attributes?

This question sought to understand whether it was possible to identify sets of people with analogous patterns of value systems in relation to their preferred concert service and product attributes, whilst also gaining insight into who the groups were in terms of the other variables used in the research, such as age, sex, genre preference etc. The first set of clusters identified, by means of a K-Means cluster analysis, showed very little difference between the two clusters when subjected to a Mann-Whitney U Test. After repeating the cluster analysis, focussing on the four value items identified in the initial cluster analysis as exhibiting significant differences, three clusters, with significant variances with regard to these values, were identified. The value items focussed on were:

- Frequency of a particular show,
- Comfortable seats during the concert,
- Quality of food and drinks at the concert, and
- VIP lounge facilities at the concert.

The key findings of this analysis were that the 'Linkin Park' cluster found concert frequency as well as food and drink volume to be more important than comfortable seats or food and drink quality. 'Linkin Park' are the dedicated



music fans out of the respondent group. They attend more shows and drink more alcohol than any of the other clusters. They have a greater female contingent than the other clusters, are 19 to 39 years old, are dedicated enough to choose Golden Circle tickets and are willing to spend more money to see acts in smaller venues. Promoters should nurture this group. They should seek to engage with this cluster as much as possible, drawing them in and making them feel like they are part of the organisation. This cluster is very valuable in terms of feedback, suggestions and regular business and should form the core base of customers for any programme aimed at hosting smaller, more frequent shows.

The 'Carla Bruni' cluster enjoy comfort. They seek VIP treatment, padded seats and better quality food and drinks than any of the other clusters, but are more often found to have bought lower priced seats. This cluster does not, however, attend many shows and has no interest in rewards programmes. They are, on average, older than the 'Linkin Park' cluster with their age range centred around a range of 37 to 42 years old, there is also a 16-18 component. They also have the greatest occurrence of tickets bought by others, which the questionnaire revealed to be made up of spouses and corporate guests. Both of these sub-types within the cluster could be more effectively targeted and catered for by means of tailored solutions. The spousal solution, for instance, could enhance the comfortable seating, low-density section with section specific bar facilities to cater for parties of two. The corporate hospitality segment is ripe for development in the fashion apparent in the sporting event industry. The provision of full corporate hospitality packages including dedicated spaces, facilities or suites could yield great returns and should be the primary focus when targeting this Urban and World music preferring cluster.

The third cluster, namely 'Rolling Bones' were older and more male in makeup than the other two clusters and favoured the Metal and Punk genres. Seemingly the most traditional of the three, this group still preferred to buy

their concert tickets from physical shops rather than buying tickets online, although they did exhibit willingness to pay extra for padded seats, 'Rolling Bones' were not willing to spend more money for rewards programmes, unlimited alcohol or premium bar facilities. The 'Rolling Bones' cluster seemingly places a greater value on shows starting on time and having the option of more performances.

## **Summary**

The findings show that there is a willingness to pay for some concert related product and service attributes and that there are distinct clusters within the respondent population that are distinctly different from each other across a variety of demographic and other metrics. Other than on a single sub-attribute, premium bar facilities, there was no evidence found for using ticket class as an indicator for willingness to pay for service or product attributes or sub-attributes. There was evidence found, however, that demographic and other metrics could be indicators for willingness to spend on each attribute and sub-attribute.

The findings of this study inferred that whilst evidence of willingness to pay for concert related service and product attributes emerged, more research is required to determine the elasticity of the willingness to pay. Of particular interest was the finding that distinct clusters existed within the group of respondents and that one group in particular, 'Linkin Park', stood out as not only the cluster to attend the most performances, but they were also most willing to spend extra money on alcohol and spent the most money on entry, as exemplified by the purchase of Golden Circle tickets.

The 'Linkin Park' cluster should form the basis of marketing and brand building activities that promoters might plan to embark on. This core group of music fans should be harnessed as brand ambassadors and evangelists for the live music cause. Given their passion for the scene, this cluster is likely to be very vocal about negative experiences, but might also relate positive ones

to their peers. This kind of word of mouth marketing is invaluable for both brands in the process of being built as well as established brands looking to maintain their position. For any promoter planning to operate in the South African concert production arena, the 'Linkin Park' cluster should be the primary target market.

## **CHAPTER 7 – CONCLUSION AND RECOMMENDATIONS**

### **7.1 Introduction**

This chapter discusses the outcomes of the study with regards to the main objectives and the questions raised in Chapter 1 and closes the loop on the questions posed in Chapter 3. Starting with a summary of the study, the chapter continues with recommendations for promoters based on the results obtained and concludes with recommendations for future research.

### **7.2 Summary of findings and conclusion**

Of primary importance in the conducting of this research was the attainment of an understanding of concert service and product attributes which are valued by customers, as well as the understanding of audiences' willingness to pay for these attributes.

Secondly, the research aimed to rank, in order of importance to the consumer, the attributes in accordance with the consumers' willingness to pay for the attributes, with a view to determining how the independent service and product attributes affect the consumers' willingness to pay for those attributes.

The third goal was to relate the varying degrees of willingness to pay for the attributes in question, with variables such as ticket class and person-related variables, for example age group, gender and preferred genre, amongst others.

The study was undertaken by means of an online questionnaire after distributing the survey to 250 people via e-mail and also promoting it on Facebook. The questionnaire solicited 120 responses. A non-probability convenience sample was used for this study.

With regard to the findings of the research, three clusters of respondents, demonstrating similarities in terms of preferred concert service and product attributes, were identified. These clusters were named 'Linkin Park', 'Carla Bruni' and 'Rolling Bones'. Significant differences between the groups were observed.

In response to the research questions, in the first instance, the study determined that there was a varying willingness by the various clusters to pay for different concert related service and product attributes, with significant differences in preferences being linked to differences in demographic profiles. The 'Linkin Park' cluster, for instance, had as their most preferred attribute the option of paying extra on the original ticket price to have access to an unlimited supply of alcohol. The 'Carla Bruni' cluster were significantly more likely to pay extra for padded seats than any of the other clusters, whilst they were also the most likely to have received their tickets from someone else. The 'Rolling Bones' cluster were significantly more likely to pay for the option of multiple performances of a show, or for the show to start on time, than the other clusters.

In summary, the answer to Question One, which asked whether people were willing to pay for various concert-related service and product attributes and sub-attributes; is yes. People are willing to pay for concert-related service and product attributes and sub-attributes.

The second research question questioned whether willingness to spend on each attribute and sub-attribute could be predicted by the ticket class held. It was determined that there was little evidence to support this, so the answer to this question was no.

Question three asked whether demographics and other person-related variables such as age, gender and preferred music genre, amongst others, could predict willingness to spend on each attribute and its sub-attributes. In

order to test this, the sample was split into three clusters by demographic, genre preference, attendance profile and ticket purchase means. The clusters were found to have significant differences to each other and it was determined that one could indeed predict willingness to spend on certain concert-related service and product attributes by the means referred to in the question.

### **7.3 Recommendations**

The recommendations below are for meant for promoters, and venues as both of these parties could benefit from the findings of this research.

#### **7.3.1 Promoters**

The research indicates that there is a willingness to pay for concert service and product attributes.

Key items over which the promoter has some influence include the choice of venue, quality of sound systems, entry and exit, can maximise revenues and improve the service to their customers. An example of this is the offering, for a fee, of priority entry and exit services.

In order for premium rate services such as these to be implemented effectively, scarcity needs to exist, not only in the mind of the consumer, but also in terms of the number of users that can access the service. From a practical perspective is clearly not possible to, for example, provide the entire stadium with priority entry and exist. This scarcity factor works to the advantage of the promoter in that they can charge as much as the market will bear for their unique priority entry and exit offering.

#### **7.3.2 Venues**

The research revealed a clear willingness to pay extra, over and above the

original ticket price, by a portion of the population, defined as the 'Carla Bruni' cluster in this case, for comfortable, padded cinema style seats. The same set of respondents also mentioned that they were willing to pay for the provision of a VIP lounge facility that could be used before, during and after the show.

The aggregated population sample featured in this study exhibited a desire, as well as a willingness to pay, for upgraded, section-specific, premium and bar facilities. Similarly, the group demonstrated a willingness to pay for upgraded ablution facilities.

Venues would be remiss not to take advantage of the potential revenue improvements offered by providing these in-demand services to their consumers.

#### **7.4 Direction for future research**

The findings of this study suggest that further research should be conducted to gain a better understanding of the following areas:

- I. Elasticity of demand for the concert product and service attributes ranked as important by the respondents in this research.
- II. Loyalty programmes within the concert context. It emerged from this study that consumers need a clear understanding of what a loyalty programme entails from both a benefit and reward side, and a requirements perspective. It is possible that responses to the question of whether or not an audience member would be willing to pay to take part in a rewards programme would vary greatly dependent upon the cost expectation versus the benefits and rewards promised.

'Unattainable' items (i.e. Items or experiences that can not be bought) such as artist meet-and-greets, one-on-one guitar lessons, spending time with the artist's roadie or going to a backstage party, are all items

that fans are likely to place great value upon. The 'Linkin Park' cluster appear likely to be amenable to an arrangement of this kind.



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## **APPENDICES**

### **APPENDIX A – BLANK AUDIENCE QUESTIONNAIRE**

# Concerts in South Africa - GIBS MBA Research

This questionnaire is part of a research dissertation required for the attainment of an MBA degree at the Gordon Institute of Business Science (GIBS). The research dissertation aims to explore the willingness to pay for attending live music events.

The primary objective of this research is to understand concert service or product attributes, which are valued by customers, and to gauge their willingness to pay for these attributes. Understanding this is important for musicians and concert promoters in order to allow them to offer services that are valuable and meaningful to consumers.

This questionnaire will not take more than ten minutes of your time.

Your participation is voluntary and you can withdraw at any time without penalty. By completing the survey, you indicate that you voluntarily participate in this research.

I confirm that your anonymity will be maintained throughout this research and the publication of the dissertation and any articles that may follow thereafter. Your anonymity will be guaranteed by not recording your name or any identifiers on this questionnaire.

If you have any concerns, please contact either my supervisor or I. Our details are listed below.

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Willingness to Pay For Concert Attributes Questionnaire

Thank you for agreeing to complete this questionnaire. There are no right or wrong answers to these questions.

Please answer all questions, and base your answer on the last large-scale (e.g. stadium sized) concert you attended.

## \*1. Screening Question

**Have you attended a concert in South Africa?**

Yes

No

**\*2. Where was the last concert you attended held?**

**\*3. Who was the headline act?**

**\*4. Which three acts would you most like to watch perform in South Africa in future?**

1.	<input type="text"/>
2.	<input type="text"/>
3.	<input type="text"/>

## DEMOGRAPHICS

This section helps us to discern demographic insights relevant to the research.

### \*5. What is your gender?

- Female
- Male

### \*6. What is your race?

- White
- Black
- Coloured
- Indian

Other (please specify)

### \*7. Which category below includes your age?

- <16
- 16- 18
- 19-24
- 25-30
- 31-36
- 37-42
- 43-48
- 49-54
- 55-60
- 61+

### \*8. What class of ticket did you purchase?

- General Admission
- Golden Circle
- Seated

## \*9. How did you buy your ticket?

- Online
- In-store

Other (please specify)

## \*10. Did someone else pay for your ticket?

- Yes
- No

If yes, who? (Parent, boss etc.)

## \*11. Which ticketing service did you use to buy your ticket?

## \*12. How many concerts do you attend per year?

- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 10+

## WILLINGNESS TO PAY

This section looks at your willingness to pay for each preferred concert service/product attribute.

**\*13. How much extra would you be willing to pay on your original ticket price to know that the concert will start at the stated time.**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**14. How much extra would you be willing to pay on your original ticket price to not experience any delays in gaining access to the venue.**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**15. How much extra would you be willing to pay on your original ticket price have preferential fast-track entry and exit at the venue?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

## FREQUENCY

This attribute looks at your willingness to pay extra on your original ticket price for concerts that offer more performances featuring the same act in smaller venues, rather than one show in a large venue.

**\*16. How much extra would you be willing to pay on your original ticket price to have access to VIP ablution facilities?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**\*17. How much extra would you be willing to pay on your original ticket price to have a greater number of performances featuring your preferred act, in smaller venues rather than a single show in a large venue?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**\*18. How much extra would you be willing to pay on your original ticket price to know that you have several options for concert performances featuring your preferred act?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

## AVAILABILITY

This attribute looks at your willingness to pay extra on your original ticket price to be assured good seats.

**\*19. How much extra would you be willing to pay extra on your original ticket price for the availability of section-specific ablution facilities during the show?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**20. How much extra would you be willing to pay extra on your original ticket price for the availability of section specific bar facilities?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+



## FLEXIBILITY

This attribute looks at your willingness to pay extra on your original ticket price to enable you to add services to your ticket.

**\*21. How much extra would you be willing to pay on your original ticket price to be assured availability of your preferred seat?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**\*22. How much extra would you be willing to pay on your original ticket price to be able to book tickets at the last minute**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

## REWARDS PROGRAMME

This attribute looks at your willingness to pay extra on your original ticket price to be able to participate on rewards programmes that might be offered by the concert promoter.

**\*23. How much extra would you be willing to pay extra on your original ticket price to participate in rewards programmes that may be offered by the promoter?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**\*24. How much extra would you be willing to pay extra on your original ticket price to have the promoter give you free goods/services/experiences as rewards for supporting their shows?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

## COMFORT

This attribute looks at your willingness to pay extra on your original ticket price for improved comfort during the concert.

**\*25. How much extra would you be willing to pay on your original ticket price to have fewer people in your section during the show?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**\*26. How much extra would you be willing to pay on your original ticket price to have padded, cinema style seats?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

## FOOD AND DRINKS

This attribute looks at your willingness to pay extra on your original ticket price for improved food and drink quality and availability during the concert.

**\*27. How much extra would you be willing to pay on your original ticket price to have a hot, high quality meal?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**\*28. How much extra would you be willing to pay on your original ticket price to have cold, high quality sandwiches?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**\*29. How much extra would you be willing to pay on your original ticket price to get an unlimited amount of food and non-alcoholic drinks during the concert?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**\*30. How much extra would you be willing to pay on your original ticket price to get an unlimited amount of alcoholic drinks during the concert?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**\*31. How much extra would you be willing to pay on your original ticket price to have access to a bar selling a wider range of alcoholic drinks, including premium brands?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

## VIP LOUNGE

This attribute looks at your willingness to pay extra on your original ticket price to enable you to make use of VIP lounge facilities at the concert.

**\* 32. How much extra would you be willing to pay on your original ticket price to have full access to the amenities in the VIP lounge before and after the concert?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

**\* 33. How much extra would you be willing to pay extra on your original ticket price to have full access to the amenities in the VIP lounge before, during and after the concert?**

- R0-50     R51-100     R101-200     R201-500     R501-750     R750-1000     R1001+

## PREFERRED CONCERT SERVICE/PRODUCT ATTRIBUTES

This attribute looks at your willingness to pay extra on your original ticket price to be guaranteed that you will gain easy and relaxed access to the concert venue every time and that it will start on time.

**\* 34. For this question, you need to rank the options from 1 to 8 in order of preference, with 1 being the most preferred and 8 being the least preferred attribute. i.e. rank the attribute you find most important as first (1) and least important as last (8th).**

**When you select an attribute and rank it, it will move in the list according to the number selected.**

<input type="text"/>	It is important to me that concerts occur as advertised and start on time.
<input type="text"/>	It is important to me that a concert promoter offers many performances (frequency) of a particular show.
<input type="text"/>	It is important to me that I be able to book tickets online.
<input type="text"/>	It is important for me to be able to upgrade the services offered by my ticket (EG VIP ablution facilities)
<input type="text"/>	It is important to me that concert promoter has a rewards programme.
<input type="text"/>	It is important to me that I have comfortable seats during the concert.
<input type="text"/>	The quality of food and drinks at the concert is important to me.
<input type="text"/>	It is important to me that the concert has VIP lounge facilities.

**35. Please share any comments/thought/opinions/feedback that you might have about concerts in South Africa here.**