

## ACE OF CLUBS - INTERNET-BASED FAN SITES OFFER IRRESISTIBLE PERKS, BIG SALES

By Linda Deckerd, Venues Today - March 1, 2006

Hiring Ed Micone, formerly with Radio City Entertainment, is just another step in an aggressive growth pattern adopted by UltraStar Entertainment LLC, an Internet fan club facilitator and marketer co-founded by David Bowie eight years ago.

UltraStar normally serves 10-15 artists in its joint venture deals, almost all high-profile acts, at any given time. Right now they oversee 12 fan club sites, which they call 'community-based subscription clubs,' and generate marketing and content for artists ranging from the Rolling Stones to the Red Hot Chili Peppers, Sting to Bill Gaither, said Larry Peryer, president. He said hiring Micone is about growing that client base, branching into sports and theatricals with the successful rock-and-roll format, maintaining a year-round fan base for a variety of live entertainment properties. Micone also pointed to the emerging bands that have joined the stellar roster for UltraStar, including Garbage and Our Lady Peace.



Last month, Peryer signed on the World Sumo Challenge, which draws 9,000-10,000 attendance per show and generated reams of publicity at Madison Square Garden, New York, last year. They will play the Garden again Oct. 21. World Sumo Challenge, produced by Big Boy Productions, will play 50-60 arena dates internationally this year, and all of UltraStar will be behind them.

Micone, who will concentrate on artist acquisition and business development for UltraStar, will also continue to create and produce projects with his three-year-old Micone Entertainment Group banner. 'We brought him on board because we've identified some interesting holes in the service model of the music business that we try to fill with our product. He's got great relationships, is well thought-of, represents us well,' Peryer said.

Both Micone and Peryer single out one unique aspect of UltraStar's service as cutting edge, the Virtual Ticket. To the fan club member, the Virtual Ticket is a chance to see video footage of behind-the-scenes activities of a band on tour, from catering to visiting celebrities to sound check to tour bus life. The footage is shot by UltraStar's Virtual Ticket crews and is updated regularly on the Internet, soon to be seen on mobile phones, someday perhaps on television, Peryer said. The footage is unique and invaluable in his opinion.

To the promoter and venue, Virtual Ticket means a surcharge on every ticket, 50 cents to \$2, Peryer said. That money is dedicated to paying for the Virtual Ticket production costs. Every ticketbuyer for the Rolling Stones tour, for instance, paid a surcharge. The tradeoff is that the ticketbuyer then qualifies for a trial taste of fan club membership, an opportunity that is touted at the arena and with the mailed-out ticket, partnerships permitting.

Peryer claims to be the most optimistic he's ever been about the touring year ahead, partially because of UltraStar's new initiatives. 'In the states and in Europe, we've developed an integration with Ticketmaster that's a lot deeper than [in the past]. We have a technology integration where our systems talk to each other really well and we can trade transaction information so the experience is a little bit better for the consumer, but it's also allowed some new marketing initiatives. Now, if you go to the Ticketmaster site and come across one of our [members-only] pre-sales, you can get into it. It used to be if you didn't have the password, you were out of luck, but now Ticketmaster says, 'Hey, this is a members-only presale, but if you want, you can add your membership price to your ticket price right here on Ticketmaster.' That has quadrupled and in some cases quintupled our membership numbers. It's been the biggest innovation we've had in the past nine to 12 months. We've done the entire North American leg of the recent Stones tour, the majority of the European shows, and where Ticketmaster wasn't the ticket agent, they've helped us.'

UltraStar also launched the recent INXS tour on this platform, he said. 'Sting is going out later this year and hopefully we'll be working with him on this. It's really becoming a big part of our model.'

Clearly, access to the artist was the key to getting subscribers and the Internet fan club concept evolved from there. 'That's our current model, connecting fans to their favorite artists and building them tools and toys and features and value-adds to make that experience worthwhile,' Peryer said. Fan club membership costs, on the low end, \$20-\$24 a year at the basic level. Premium memberships usually cost \$15-\$20 more and include 'some kind of a cool, physical premium good,' Peryer said. With the Stones, membership is \$100 and fans get a limited edition DVD (complete with Virtual Ticket footage), a lithograph and a lot of extra online access.

Based on the willingness of tour merchandise companies to cooperate with UltraStar, Peryer's gut tells him the fan club member is generally a more free-spending ticketbuyer and there is more traffic at the stands at arenas.

Merchandisers put up flyers at the booths informing fans more souvenirs are available at the fan club site, for instance. 'Really, it's an add-on business for them. I have no reason to think they sell less at the venue. The merchandisers seem very willing to sell us merchandise, and I don't think they would do that if we were cutting into their sales,' Peryer said.

UltraStar teams with the official ticketing agent for all of its shows. 'By doing that, we end up selling far more fan club memberships, which is our main business, because the ticketer and promoter are a lot more excited about helping us do the marketing. We're not trying to eat out of their ticket fees; we're not taking money off their plate. We're just trying to sell tickets before the on-sale date which everyone likes the idea of,' Peryer said. 'Ticketing isn't a big part of our business in terms of

revenue. It's pretty much not a line item anymore.' The ticketer keeps the service fee.

The number of pre-sale tickets available is up to the act and varies from 10 to 100 percent, Peryer said. Usually, the artists doesn't want to put a barrier up that 'only if you give us extra money above and beyond the ticket price can you get good tickets,' Peryer said. 'In general we support that. It grows the fan base and let's us stay in business long-term. They also have other competing needs for tickets, band holds, promoter holds, sponsor holds. It's unrealistic for us to get the whole house for the majority of our tours, but they certainly make available more than the 8 or 10 percent available by taking tickets off the system.' He estimated the average across all UltraStar acts is about 25 percent of the house sold through the fan club, 'with a couple of our acts doing 50 to 100 percent.'

These are not all premium seats, he added. 'We are not monopolizing all the front row center tickets. If you're a fan of the Chili Peppers, you might go to see them up and down the eastern seaboard. You might pay for the front row ticket at the show that's the most important, in your hometown or at the [Madison Square] Garden. Some of the other shows, you just want to get in the door. If you go to three to 10 shows, you don't want top price every time.'

Peryer's goal is to work with all ticket companies the same way he works with Ticketmaster. He wants integrated marketing, where the ticketing company reaches out to all the people who saw this artist on the last tour. If Sting comes back around, all the ticket agents can e-mail people who saw Sting last time and promote the fan club. 'Pretty much every ticket agent through Europe has done it this tour. That's a widely embraced methodology. It speaks to selling tickets as quickly as possible. We run into territory issues a lot, and our hope is this type of marketing program allows everyone to set that conversation aside. I'm not asking for all the e-mail addresses of Sting people because Sting owns them. We just want them to e-mail those people.'

In another direct marketing program, ticketbuyers for UltraStar clients get a flyer with their mailed tickets driving people to the fan club Web site. That has been more widely adopted in the states and western Europe, he said. His goal is to see the same capabilities in the Czech Republic as he sees in Ireland. 'That's very high on our list, standardizing our programs throughout the world,' Peryer said.

To Peryer, Virtual Ticket 'closes a big loop artists used to have.' Under the old model, the artist came to town, played for 10,000-20,000 people, and left, not having a relationship with them again until the next time they came through town. And when they did come back, 'someone had to fire up the marketing machine and write a brand new marketing plan and spend brand new money. What we're trying to do with the artist's Web site is make it the place where the fans always go and where you can go when the band left town and follow the tour and ultimately be there when the artist is off the road. We take care of the fans and keep the audience alive when the artist isn't working.'

What's in it for the venue? 'I don't know if this is an oversimplification, but I think it's about the ticket sales,' Peryer said. 'We get tickets sold early in an industry friendly way.'

Comcast-Spectacor's Peter Luukko agreed. 'I'm fine with it. Anybody that enhances the experience and leaves people feeling good is fine with us. It's a band's decision.'

The concept is not lost on other entrepreneurs, either. UltraStar's biggest competition now includes Sparkart and Musictoday. Now some of the merchandise companies, like Signature, are rolling out fan clubs, albeit with a bent to sell merchandise. Every company in the business has its own agenda. 'We're about marketing and content,' Peryer said. 'I think everyone in the touring business agrees they need to get off the sugar high of these classic rock acts going out every three or four years and develop the next 10 years worth of pipeline. I'm glad to see that, it's good for everybody.'