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Understanding Music Festival Industry

In Thailand

Presented by

Montita Yongmarlwong 5904640280

Arinchaya Wannasarnmetha 5904640769

Parncheeva Rittagorn 5904641932

Instructor

Dr. Wanwiphang Manachotphong

Bachelor of Economics International Program,

Thammasat University

I. Introduction

“Music has no boundaries.” This is one of the most well-known quotes about music that is spoken all around the world. It means that everybody can connect with music regardless of barriers emerging from the diversion of nationality, age, gender, and language. In the modern world, people have tons of alternative ways to access and consume products and services offered in this industry. “Music Festival” has been a popular product of the market on both the regional scale and the worldwide level. Thai people might have known about music festivals since 2010, when the most popular one, big mountain music festival, was first introduced. This kind of event has become well known by a broader range of people through the growing online platforms in recent years.

The music festival is not just a concert performed by many groups of artists with a big production scale. Still, it is a community event providing incredible experiences from various artists’ live performances and cultural activities. It requires more space compared to a usual concert due to the larger capacity aiming to serve a bigger number of audiences. Music festivals often come up with superior productions and more spectacular decorations with a specific theme. Moreover, most music festivals are held annually at the appropriate time and locations, responding to their theme.

Thailand claimed to be the most preferred country to organize music festivals compared to other countries in Southeast Asia. So, the music festival industry in Thailand has lots of players represented in the form of dominant players and fringe ones categorized by the concentration of the events conducted within a year. The competition is quite high because of the large volume of players. To survive in this market, strategies of an individual firm play an essential role in determining the margins and directions of the firm. The primary tactics applied by a firm to differentiate its products from other competitors consist of location, timing, and pricing strategies.

The primary purpose of the paper is to understand the music festival industry mechanism by illustrating its structure, competition environment, hidden strategies of players, and performance of the industry. Research questions are How to survive in the music industry? How does this industry work? And How do these players set their strategy? This

paper focuses on all types of music festivals that are conducted in Thailand by both local and international organizers. The article will go through a literature review with research on background, competition, current situation, and the trend of this industry, followed by theoretical frameworks applicable to this study. The next section goes over methodology explaining the structure-conduct-performance method, type of data, and data collection method. The next part is research results and discussion. Lastly, the conclusion and limitation will be exhibited.

II. Literature review

The appeal of music festivals in Thailand

Thailand is one of the most preferred countries for music festivals' organizers in this region, so the number of events is increasing gradually year by year. Both Thai organizers and foreign firms have launched the events in many categories and scales due to the characteristics of their theme, the target groups, and the trends. Most of the themed events in Thailand are held at big halls, yards, and open-spaces in big cities such as Bangkok, Chiang Mai, Phuket, Khon Kaen, and Nakhon Ratchasima. Besides lineups and live performances, the crucial factors that are appreciated by Thai audiences are production, lighting, sound system, venue, and the availability of beer and other alcoholic drinks (Panakhom, 2015). That is why big corporations relating to alcohol drinks always engage in sponsorship.

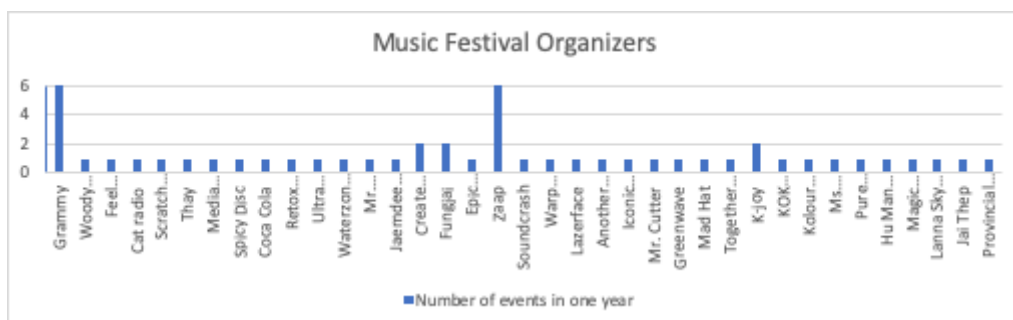
The period of time with a high level of music festival concentration falls in the range of time during the beginning and the end of the year because the weather is suitable for open-spaced-organized events. April is another favorable month for music festivals' producers since it is the time to celebrate the Thai new year. Most events during Songkran are categorized as EDM music festivals. The interesting fact is that EDM music festivals are making more appearances, in Thailand, in recent years because this kind of music has become more popular among teenagers who are the main target group of this market (Ananthana, 2015).

Yutthana ‘Ted’ Boonorm (2012) claimed that the well-known ‘Big Mountain Music Festival’ or ‘BMMF’ produced by GMM Grammy is the biggest music festival in Thailand determined by the number of artists in the lineup, the list of artists will be performing in that particular event and its full capacity. BMMF is one of the most successful events in this market since it has been held for ten years, and the tickets are sold out every year. Furthermore, there are some music festivals offered by Zaap, the main competitor of GMM Grammy, that are exhibited in many provinces within a year to capture more groups of the audience in different parts of Thailand.

Music Festival Industry Competition

“You must recognize that you will need to be paying deposits on artists, sound, security, rental fees, and more before you sell a single ticket” (Liam, 2019). The music festival industry has been expanding in many countries gradually these days. It does not only one-sided market by selling tickets to customers, but also two-sided markets which are seeking funds from sponsors as well. Nevertheless, there are some music events which have no entrance fee. Furthermore, “if you are a music fan, and your favorite artist is playing at a festival, there is no best way to see him live!” (Peppermint, 2013). The music festival has gathered audiences who enjoy the rhythm and their favorite artists, which lead to a higher number of events in the present. According to the increasing number of music events, the quantity of the organizer is growing too. In the case of Thailand, there are few dominant players and several fringe organizers who are considered to be oligopoly competition in this industry based on the number of their music festivals within a year.

Figure 1: Music Festival Organizers based on 50 music festivals



There was intense competition among dominant organizers where they were organized events at an equal amount in one year, from figure 1. “The behavior of oligopoly firms can be referred to as the game theory. It is vital that oligopoly firms consider the actions and possible comeback of their rivals in order to outstanding themselves in the industry” (Pei Jin, 2013). As the dominant organizers know one another’s strategies such as timing, therefore they are able to invite different famous musicians to beat other competitors and to attract audiences also, to avoid the same timing with one another as well. In this oligopoly market, “barriers to enter the industry is deemed to be high as it involves copyright issues, patents, advertisements, and also economies of scale” (Pei Jin, 2013). In Thailand, organizers find it very difficult to enter the market, since the big organizers, GMM Grammy and Zaap, have comparative advantages to organize the festival.

Current situation and trend of the music festival

“Within the last decade, music festivals have grown into a major moneymaker in a competitive industry that sees hundreds of such events each year in the U.S.” (Mahita, 2019). There are the well-known ones, which are Coachella, Lollapalooza, Outside land with the high price ticket, multiple stages, facility options, and infinite lists of the performer. Not just only in the United States but also Thailand is an essential venue for the music festival, which has risen in the past few years. For instance, the famous Big Mountain Music Festival, WonderFruit festival, S2O Songkran music festival. The music festival is regarded as a relatively competitive industry because it is a source of profit for private companies.

According to Bowen and Daniels (2005), musical festivals are events in which music is the most important cultural value transmitted and which frequently are accompanied by other activities directly related to the festival’s theme, such as street markets and theater or the participation of up and coming musicians. Besides, the development of a festival at a strategic time of the year can help to prolong the tourist season (Getz, 1997). WonderFruit Music Festival is not a music festival, but it includes art, food, workshops, inspirational discussions, and various health activities. The event is dedicated to preserving the environment and creating sustainability, which is a central theme of the event. Furthermore, music festivals can also help conserve Thai culture, such as Songkran music festivals that attract a large number of foreign tourists.

Moreover, the music itself has changed, as well, making festivals a bigger attraction for listeners (Mahita,2019). With the advent of streaming, which has decreased sales of physical records, touring and festivals are the solution for artists of this era. Whether big or small music festivals are always suitable for artists because it is a way to make money and gain a wider audience from combining many artists into one event, besides, they can promote themselves too.

The leap of ticket prices for Thai music festivals such as Big Mountain, from the data of 2019, ticket prices were increased from 1800 Baht to 2500 Baht, which was 28 percent more expensive than 2010. In addition, the 8th Big Mountain Music Festival creates a new phenomenon for the Thai music industry. By causing over 60,000 tickets to be sold out within one day. Festivals and events play an important role in the tourism industry, increasing the flow of visitors, and offering a unique experience to participants (Quinn, 2005, 2006; Richards & Wilson, 2004). People are more likely to spend more money on the experiences of happiness over tangible things. This phenomenon is called "Experience Economy" defined by Joseph B. Pine and James H. Gilmore in 1998. The concept is businesses need to create something that can be transformed into memories for consumers, and such a memory will become another form of a product called "experience".

III. Theoretical Framework

Pricing strategies

- *Price Discrimination*

Price discrimination is the model of charging a different price for the same product or service to different groups of people, which consists of three types, first-degree, second-degree, and third-degree price discrimination. The different prices of the product come from the flexibility of demand. The main objective of price discrimination is to make monopolies more profitable than selling single prices.

In the real world, perfect price discrimination or first-degree price discrimination in the music industry is not possible. No firm knows every buyer's willingness to pay, but unless buyers announce it to sellers. Thus, firms divide customers into groups based on some observable trait that is likely related to willingness to pay, such as age. Furthermore, packages for a group of customers are available, which defined as second-degree price discrimination. Second-degree price discrimination means charging a different price for different quantities, such as quantity discounts for bulk purchases. From the recent music festival, the ticket price of the package for 2-6 people is usually cheaper than the regular price. Moreover, there is also another form of sale promotion, which is "buy five get one free".

In terms of the secondary market, resellers can charge the price responding to the customers' willingness to pay. Reselling and arbitrage of the ticket in the secondary market are resulting in incomplete price discrimination.

- *Price discrimination by the time of order*

This method is frequently applied to make the use of capacities easier to plan and more evenly and safely distributed; therefore, clients who place their orders - for the delivery of a product or service - on a specific date are charged less than others (Gábor, Jonathan, 2018). Early bird tickets are discounted tickets for people looking to buy over a limited time, from the moment your event is announced. This is the best way to reach loyal customers who are willing to book the tickets in advance and let them know about the benefits of buying their tickets earlier than most people. Some music festivals offer many types of tickets, such as early bird, advance, and regular. Moreover, advanced tickets will be divided into phases 1, 2, and 3. The closer to the time of the event, the higher the price of the ticket will be. Therefore, the participants are likely to pay a much higher price due to the consumer's demand for a ticket becomes inelastic.

- *Price discrimination by features of consumer groups*

Price segmentation by consumer type means that consumers belonging to different groups are charged different prices for the same product or service (Gábor, Jonathan, 2018). Most music events are selling VIP tickets for those who have a higher willingness to pay and

regular tickets for those who have a lower willingness to pay. In other words, this is third-degree price discrimination, which is the commonest type. Examples of benefits of buying VIP tickets, the VIP ticket is different from regular tickets with special access. To receive the privileges, they have to pay for the higher price of the ticket.

- *Bundling*

Mixed bundling allows customers to purchase the goods either together as a bundle or separately (Robert J. Graham, 2019). In the music industry, there are camping passes that are sold as a bundle with the music festival pass. Music festivals held in a rural area have an additional package, which is accommodation. In addition, some events sell tickets together with a flight from Bangkok.

- *Peak-load pricing*

A common form of price discrimination is peak-load pricing. This is where people are charged more at times of peak demand and less at off-peak times. Peak and off-peak pricing and are common in the music industry. Similarly, ticket prices charged for music festivals are much higher during weekends than the weekdays. The reason for charging different prices of the ticket is the different demand elasticities. Therefore, many participants have no options but pay a higher ticket price at peak time.

Economies of Scale

Economies of scale are cost advantages when a company can achieve due to its scale of production, with decreasing the cost per unit by an increase in production. That is because the costs are spread over the larger volume of products. Moreover, the larger the company is, the higher the chance for a company to achieve cost savings. In the music festival industry perspective, economies of scale are able to occur in the big organizer, Zapp, where the organizer has been set the event in many provinces in Thailand. Therefore, this minimizes the marginal cost, such as production cost.

Horizontal Integration

Horizontal integration is one of the strategies which could be used by companies in the same industry. Moreover, the companies are able to create economies of scale and

increase market power over suppliers by merging two companies. Also, this strategy can reduce the competition from substitutes and potential new entrants. For the music festival industry, many music events were organized by two big organizers merging or collusion among smaller organizers.

Product differentiation

Product differentiation refers to the strategy or practice applied by a firm to distinguish its products from other competitors in the industry. Products can be differentiated in many aspects, including size, color, and quality (Nevo, 2002). In the music festival industry, product differentiation is how each player makes its events different from other existing ones in order to make itself become unique, interesting, and attractive. The aspects of differentiation basically done in this industry are type of music, location, scale, timing, theme, list of artists performing at a particular event, additional activities, and more. These methods of product differentiation can determine not only the target group of each music festival but also the price of the tickets.

Barrier to entry

The barrier to entry is the obstacle incurring the difficulty for firms who want to enter the market. The barrier can be determined by the structure, competition of the industry, bargaining power of buyers, bargaining power of suppliers, and threat of substitution. As mentioned by Bain (1956), barriers to entry are economies of scale, product differentiation, copyright issue, patents, and absolute cost advantages. Thus the barrier to entry in the music festival industry can illustrate the intensity of the competition and the ease of doing or entering this kind of business.

IV. Methodology

To understand the mechanism of the music festival industry, the researcher requires strong and reliable data with the appropriate analysis tool. Thus the research paper will be applied with these following data collection methods and analysis methods.

Conceptual framework

This study uses the conceptual framework and the structure-conduct-performance (SCP) approach to illustrate the overall mechanism in the music festival industry in Thailand because it is a well-developed economic model which is widely applied in industrial economics. SCP paradigm can explain the structure of an industry, the conduct of existing players in the market, their economic performances, and the relationship among these three elements. Thus SCP approach is useful guidance for researchers to understand the competition in this industry, players' strategies towards differentiating and competing against other competitors in the market, and the performances of both individual organizers and the overall market.

Type of data and data collection method

This study collects both primary data and secondary data from credible sources. The gathered data will be interpreted by the SCP model mentioned in the part of the conceptual framework.

- *Primary data*

The researcher conducts an interview to gather the primary data directly from representatives of main players in this industry, including GMM Grammy and Zaap. The interview is conducted, especially for this paper. Perspectives of these players towards doing business in this industry is a crucial point that we expect to know. Other main aspects of the interview needed for this paper are their strategies, their positioning, their move responding to competitors, the performances in recent years, interesting upcoming trends related to this industry, and the prediction of industry's direction in the future.

- *Secondary data*

This paper collects secondary data from reliable sources such as research, articles, and news relating to this industry. This article uses the available data to

examine the background of the industry, current situation, level of competition, player's move in each year, and characteristics of the events organized in Thailand. The data will be used in further SCP model analysis in order to understand how this kind of business works in Thailand.