



EE489 Seminar in Industrial Economics

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Understanding the Thai Music Festival Industry

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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 is 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. 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 selection, line-up, and pricing strategies. Only ticket sales are not enough to cover the cost since music festivals require large amounts of funds. They have to seek a large chunk of money from sponsors as well; hence organizers need to fight for affluent sponsorship. That is the reason why the Music Festival industry is categorized as a 'two-sided market'.

Nonetheless, organizers who produce the music festival without consideration about profit exist as well as those who do for the wealthy. Some of the music festivals were organized by organizers interested. Even though the revenue exceeded the cost by a small amount, the organizers felt great to organize it.

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 What are the purposes of music festivals in the organizer's perspective? 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 the music festival industry and competition in the two-sided market. The third part is industry background, including the appearance of the music festival in Thailand, Competition within the industry, and its current situation. The next section is theoretical frameworks applicable to this study, which is a two-sided market followed by Methodology, the fifth part, illustrating the type of data and data collection method and SCP paradigm, which is an analytic tool applied by this paper. The next section goes over the SCP method explaining the mechanism of the overall industry and result discussion. Lastly, the conclusion and limitation will be exhibited in the seventh section.

II. Literature review

Two-sided market

A two- or multi-sided market is a market in which one or more platforms act as an intermediary between different target groups, each of which constitutes one side of the market. The different user groups are interrelated via cross-side network effects, so that the advantages for a user to adopt the platform depend on the number of users belonging to groups other than his or hers (Myriam and Marc, 2012).

Kenneth (2007) has shown that television networks operate in a two-sided market by choosing programs to match advertisers with viewers. Moreover, according to Kenneth (2007), there is strong evidence of cross-group externalities where a 10 percent increase in

advertising time decreases the audience size on a highly-rated broadcast network by about 25 percent. In addition, advertisement prices are highly responsive to audience size at the elasticity of 0.8. The estimated price elasticity of advertiser demand (-2.9) indicates that the advertising market has become substantially more competitive since the 1970s (Bowman 1976). In accordance with Kenneth (2007), advertiser preferences influence network programs and scheduling choices more strongly than viewer preferences. However, ad-avoidance increases equilibrium advertising levels while decreases network advertising revenues.

Two-sided market in Sport Industry

Sponsorship as a promotional activity for a firm or brand has grown remarkably for years. Total sponsorship expenditures in the United States across the categories of sports, music, entertainment, festivals, and the arts, more than doubled between 1989 and 1994, increasing from \$2.1 billion to \$4.25 billion (Kate 1992; Smith, Shannon, and Macclaren 1995). In comparison with the total 1994 U.S. expenditures of \$150 billion (Advertising Age 1995), the \$4.25 billion spent on sponsorships may appear.

Besides TV programs, Sport tournaments also engage in two-sided market or sponsorship activities. Sport played an important role in the growth of television, especially during its emergence as a dominant global medium between 1960 and 1980. In turn, television, together with commercial sponsorship, transformed the sport, bringing it new significant income and prompting changes in rules, presentation, and cultural form (Whannell, 2009).

Clark, Cornwell, Pruitt (2008) claimed that title sponsorships are often considered the crown jewels of sports sponsorship programs. Garnering top media coverage and title sponsorships are prized for both generating brand or product awareness and building images for their sponsors. A cross-sectional regression showed the positive relationship between sponsorship by large firms and perceived sponsorship success.

Red Bull, energy drink producer, is an example of a brand engaging in sponsorship. Farris, Shames, Johnson, and Mitchell (2010) claimed that It has sponsored several kinds of sport tournaments around the world such as soccer, car racing, american football, and more. The name and the logo of Red Bull is easily spotted on the athlete's outfit, american football

players' helmets, on racing cars, on the backdrop at stadium, and racetrack. Moreover, the brand logo massively appears on the world-wide level through sports broadcasting. That is the reason why Red Bull has a strong brand recognition and brand awareness from engaging in sponsor activities. This kind of sponsorship also assures the brand, itself, that athletes and sport lovers are familiar with its energy drink leading to the strong bonding between the brand and its target. The interesting point is that Red Bull is also engaged in sponsoring the music festival to connect with the larger group of its target.

III. Industry background

The appearance 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 the lineup which the list of artists will perform in that particular event, 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 activities.

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. There are many types of Music Festival in Thailand categorized by the concept of the events. Those types of Music Festivals include Assorted Music festival, Indie Music Festival, Lifestyle Music Festival, Easy listening music festival, EDM Music festival and more. 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).

This industry consists of few big players, GMM Grammy and Zaap, and many fringe firms. 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 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 is not only a 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.

"The behavior of oligopoly firms can be referred to as a game theory. It is vital that oligopoly firms consider the actions and possible comeback of their rivals in order to outstand 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 have comparative advantages to organize the festival. In contrast, most of the music festival organizers, radio channels, did not organize for profit; they did this from their passion. Also, they organized the event to release the activity with their fans. Therefore, this business does not make a lot of profit, and it allows their existing business to continue.

Current situation and trend of the music festival

Technology has clearly disrupted the current music industry, resulting in people's listening behavior changing in a convenient way but the speculation about the growth of the music industry is not always easy. Since if talking about the group of people who like to consume music through live music performance, at this time there is no technology to replace it. While the format of live music performance still has a high demand because there are a lot of audiences who listen to modern music. Therefore, the business of event organizers is still interesting.

In 2005, Music Streaming, this musical innovation became a new era of music culture that can connect music, artists, and listeners to get close to each other via technology and the internet. 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. However, the music streaming business, including being a live event organizer, still holds the highest market share in the world and still has further growth. Moreover, this is the challenge of those who decide to step into the music industry.

As mentioned at the beginning of this article, aside from talking about the music industry, which is a music streaming business and another main driving force of the music industry is live performances or music festivals. Organizing a massive concert that brings together artists in various genres comes along in one place, which is currently becoming a global money-making business trend.

"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 performers. The Woodstock Music Festival was a legendary place in American pop culture history and grew into a core business that reaps profits. With countless attendees each year, Coachella, one of the most popular festivals in the country, made \$ 114.6 million in 2017. The mechanism that drives music festivals on the highest incomes is related to the impact of modern life. Now people are more likely to spend money on products and services called "experience".

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. The music festival is regarded as a relatively competitive industry because it is a source of profit for private companies. For instance, the famous Big Mountain Music Festival, WonderFruit festival, S2O Songkran music festival. Besides, the development of a festival at a strategic time of the year can help to prolong the tourist season (Getz, 1997). Organizing music festivals during the Songkran festival is bringing Thai culture to world-class, as well as people around the world know Thai food or Thai boxing. Festivals and events play an important role in the tourism industry. Music festivals can also help conserve Thai culture, such as Songkran music festivals. For the tourism business, music festivals also attract a large number of tourists from many countries to join this music festival, which is regarded as a good tourism promotion. Organizing a Thai-style music festival is considered to create a unique experience for the attendees to appreciate the time of fun. Although the ticket price will increase each year, 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"

IV. Theoretical Framework

Two-sided market

A two-sided marketplace business model facilitates direct interaction between suppliers and consumers, creating value through an intermediary platform. Value is given and received by both the consumer and the service provider (Business & Management, 2018). For the music festival industry, a two-sided market often occurs in terms of sponsorship and consumers, where the music festival is the intermediary platform.

Oligopoly

Oligopoly is defined as a market structure with a small number of firms, none of which can keep the others from having significant influence. An oligopoly is an industry that is dominated by a few firms. In this market, there are a few firms which sell homogeneous or differentiated products (Analysis of the market, 2018). The music industry is considered to be a competitive oligopoly that is dominated by large firms. However, the dominant and fringe firms are not only competing, but they are also supporting one another.

V. 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.

SCP Paradigm

Structure-conduct-performance (SCP) approach is used as an approach illustrating the overall mechanism in the music festival industry in Thailand because it is a well-developed economic model that is widely applied in industrial economics. The 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.

Market Structure, S, describes characteristics of the industry which can be considered in various ways, for example, the number and size of sellers in a market, the level of differentiation among products, and degree of the barrier to entry which determines the ease of doing business and the difficulty of entering this industry. The market structure also reflects the players' behavior within the industry. It can be divided into four types consisting of Monopoly, Monopolistic Competition, Oligopoly, and Perfect Competition.

Conduct explains the behavior of firms through their pricing strategy, competition strategy. In other words, this part illustrates how existing players compete with each other and the mechanism of the industry. Both market structure (S) and conduct (C) would result in performance.

The last section is Performance (P), which is an outcome of market structure and conduct. This part also covers performance determinants such as product and service quality, industry margin, and production efficiency. It is measured by comparing the outcome of firms, along with the industry in efficiency terms at different ratios used to assess different profitability levels.

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 (Structure-Conduct-Performance) model mentioned above.

- *Primary data*

The researchers conducted an interview to gather the primary data directly from representatives of main players in this industry. The interview is conducted, especially for this research. The primary purpose is deeply to understand more about the industry. The perspective 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 actions 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. Due to the COVID-19 situation, researchers have some difficulties interviewing the entrepreneurs. So researchers conduct online interviews of Mr. Yuthana Boonorm, who is the founder of the biggest music festival, BMMF, organized by GMM Grammy and Mr. Montien Kedsirithep, who is the representative from Cat Radio.

- *Secondary data*

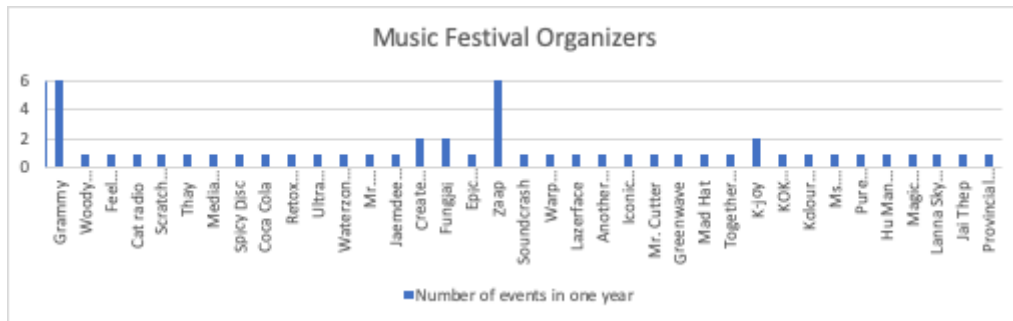
This paper collects secondary data from reliable sources such as research, articles, and news relating to this industry. This article uses the available data to examine the background of the industry, current situation, level of competition, player's action in each year, and characteristics of the events organized in Thailand. The data will be used in further SCP model analysis to understand how this kind of business works in Thailand.

VI. Structure Conduct Performance (SCP)

Structure

To clarify the music festival industry structure, the number of music festivals is the best element to approximate the market share of each organizer. In the Thai music festival industry, there are not many players who dare to risk in this industry. Therefore, from figure 1, this industry is considered to be a competitive oligopoly that is dominated by large firms, GMM Grammy, which is a record label, and Zaap which is an event organizer based on 50 music festivals. Nevertheless, the dominant and fringe firms are not competing intensely; they are supporting one another, according to Mr. Yuthana Boonorm, the music festival organizer of GMM Grammy.

Figure 1: Music Festival Organizers based on 50 music festivals



Source: constructed from the author's own survey

Even though they are supporting one another, they still need to race for big sponsors since this industry is a two-sided market where the organizers are serving sponsors and customers. However, GMM Grammy is the one who determined the sponsors' price. It is difficult for other competitors to raise the price above the GMM Grammy price unless the sponsors require other bands or singers who have no contract with GMM Grammy.

From Mr. Yuthana Boonorm's perspective, the music festival industry is cruel, especially for new entrants. First of all, the music festival required lots of funds for paying bands, location, etc. For instance, Big Mountain Music Festival, the biggest music festival in Thailand, in the initial year, ten years ago, their capital was 50 million Baht, whereas the latest year was 100 million Baht. This showed that to organize one music festival, a large amount of funding is necessary. Moreover, this is the business that the organizer has to prepare for a whole year just to get the desired result on the festival date. After the festival is completed, the organizer will dismantle all things in the event and start to imagine a new event coming. This is not the same as a restaurant industry, if the owner has prepared well since day one, the restaurant can last long, while the music festival organizer must think of new music events all the time. Furthermore, music festivals can be an opportunity to do money laundering, as there are tons of revenues and expenses. Sometimes the organizers surrender to go bankrupt, which makes the real music festival organizers try to compete since there is no way to fight with these competitors. Additionally, the big record label has a comparative advantage. As most of their bands are popular, as a result, other music festival organizers face license prices when they invite those bands to the event. However, to protect their high ranking music festival, the big record label such as GMM Grammy, may not allow

their bands to perform for other music events except GMM Grammy music events. Lastly, to save the organizers' budget, economies of scale are important as well. ZaaP, the event organizer, is able to do the economies of scale since they created one music festival and launched to many provinces in Thailand. That is to say, ZaaP can save their budgets from practicing, bands, and etc.

The barriers to entry are high in the music festival industry. In other words, it is not easy to be a music festival organizer. Therefore, newcomers better make a good decision before entering this industry.

Conduct

- ***Two-sided market***

The music festival industry is growing in a two-sided market, where the organizer is matching between sponsors and customers which is quite similar with television networks (Kenneth 2007). Sponsors will value the festival by the number of audiences. The more audiences, the more people access the sponsors' product, which leads to a higher amount of sponsors' funds. Music festival organizers have offered many types of packages to sponsors, for the premium package, the sponsor can expose their brand in the media such as Pepsi presents Big Mountain Music Festival as in figure 7. Thus, the brand Pepsi will stick along with the music festival promotions which are similar to Red Bull sponsored sport tournaments. Moreover, the sponsor's product sales can dramatically rise when the sponsor participates with music festival promotions. To give you an idea, customers who have bought Pepsi products, they can present the receipt to get a discount on the festival ticket. This might expand the sponsor's product awareness as same as the sport industry from Clark, Cornwell, Pruitt (2008). In short, whatever increases the benefit of the sponsors, it will increase the value of the festival as well

Figure 2 : Poster of Big Mountain Music Festival in 2019



Source: Sanook.com

The world standard revenue of music festivals is divided into four parts, which come from sponsors, merchandise, food and beverage, and ticket sales. The sponsors will not greater than 10 percent of the revenue, whereas the food and beverage revenue will be dependent on the scale of the music festival. The larger the scale, the larger the revenue from food and beverage. The merchandise will be covered around three to five percent. The rest will be accounted for by ticket sales. This indicated that even though the festival does not have any sponsors, the festival is still profitable.

For the Thai music festival, Thais used to buy a cheap ticket or free ticket. Therefore, the sponsors will be at a very high rate, which is about half of the revenue. For example, Mr. Montien Kedsirithep, the station manager of Cat Radio, has suggested that the sponsor's ratio should exceed 50 percent of the revenue, to represent that the festival can happen, as in figure 8. The ticket sales are the supporter to cover the principal. However, in the case of the biggest music festival, Big Mountain Music Festival, the ratio of the revenue tends to reach the world

standard rate, the sponsors are at 20 percent, the ticket sales are at 70 percent and the rest come from merchandise and others, as shown in figure 3.

Figure 3

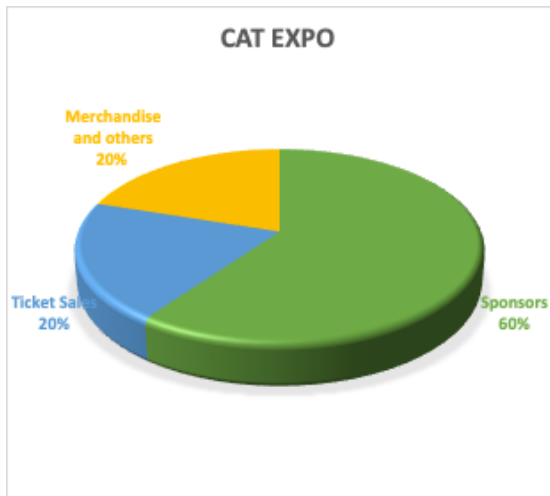
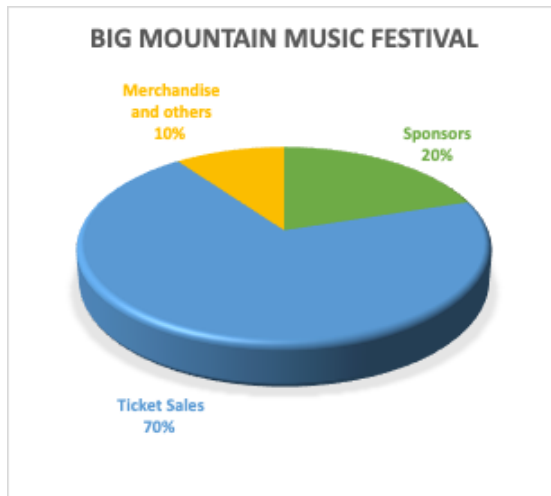


Figure 4



Source: constructed from the author's interviewed

From the ratio above, only the ticket sales are not enough to organize the festival, the organizers still need to rely on sponsors to survive in this industry.

- **Competition Strategy**

Most players in the industry act as supportive ones because they want to maintain the 'music festival' for Thai people as a community allowing artists and their fans to connect. Although the main purpose of this industry reflects the characteristic of 'patronization', we cannot deny the fact that GMM Grammy is a powerful player who might be a director of this market due to its ability to determine the rule or the price of sponsors and, also, market price of tickets. Thus competition strategy plays an important role for existing players to survive in the industry. There are four main strategies applied in the music festival industry, including Economies of scale, Horizontal Integration, and Product differentiation, and Pricing strategy.

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. As shown in figure 2, Single Music Festivals 2018-2019 are held in five provinces, including Khon Kaen, Bangkok, Udon Thani, Chiang Rai, and Chiang Mai, respectively.

Figure 5: Poster of Dek Sai Silp Music festival and Single Festival



Source : Thai ticketmajor

Horizontal Integration

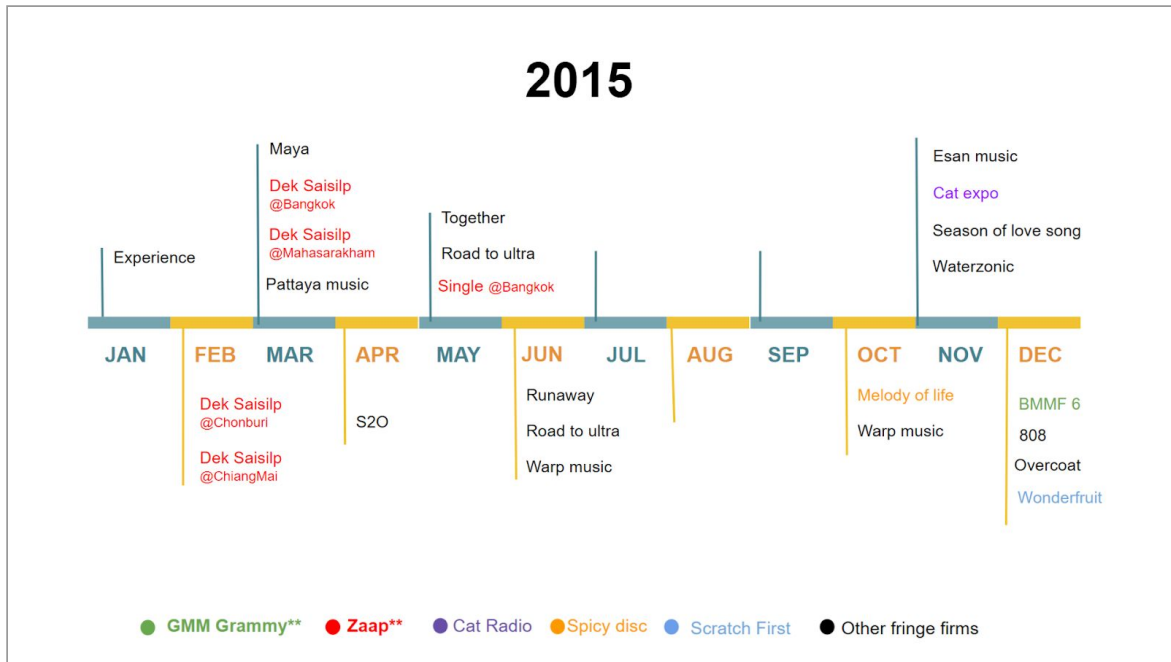
Horizontal integration is one of the strategies used by companies at the same level in the industry. A firm engaging in Horizontal Integration can increase its market power and its product's value over suppliers by merging with other companies. In this market, firms not only launch their own events but also, sometimes, collude with one another to create new music festivals such as Chiang Yai Music Festival organized by both Gmm Grammy and Zaap, which are potential players in the industry. Collusion not only occurs among big players, but it can be done by both fringe firms and dominant players.

Product differentiation

Product differentiation refers to the strategy or practice applied by a firm to distinguish its products from other competitors in the same market. 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 the type of music, location, scale, concept, 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. Wonderfruit produced by Scratch first is an example of product differentiation in terms of its core concept of "Lifestyle Music Festival," allowing everyone to perform arts and express their own spirit. While the E-san Music Festival focuses on a niche market due to its unique list of indie artists.

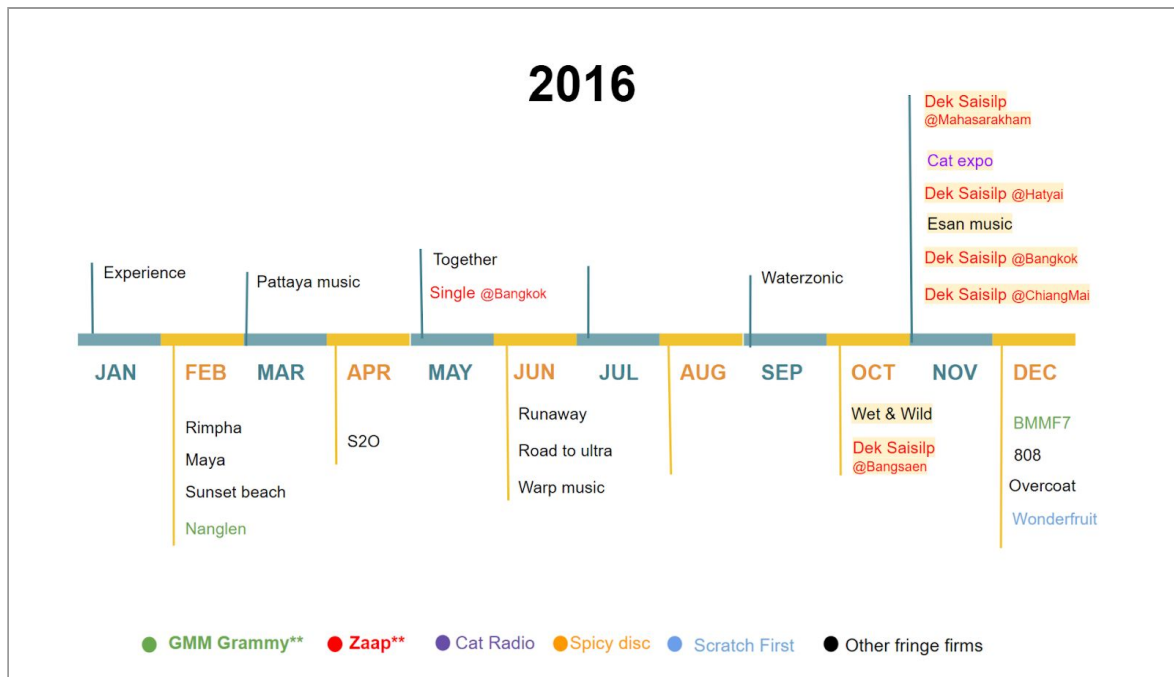
It is interesting that players in this kind of business compete with each other in terms of the way to get money from sponsors instead of the scale of the events for that particular music festival. So the timing of each event depends on atmosphere, space, and location rather than competitors' calendar. Figures 6, 7, 8, 9, and 10 exhibit five timelines of music festivals happening in Thailand from 2015 to 2019, respectively. It is clear that the most congested periods fall into the beginning and the end of the year since they are a period of joy, happiness, and celebration. Most events conducted during those two periods are organized in open space because of the good condition of weather in Thailand. The highlighted events in the fourth quarter of the calendar in 2016 were postponed to next year, 2017 and 2018, because of the death of King Bhumibol Rama IX of Thailand. So the concentration of events organized at the beginning of 2017 is quite high, as shown in figure 8.

Figure 6 : Thailand's Music Festival Calendar in 2015



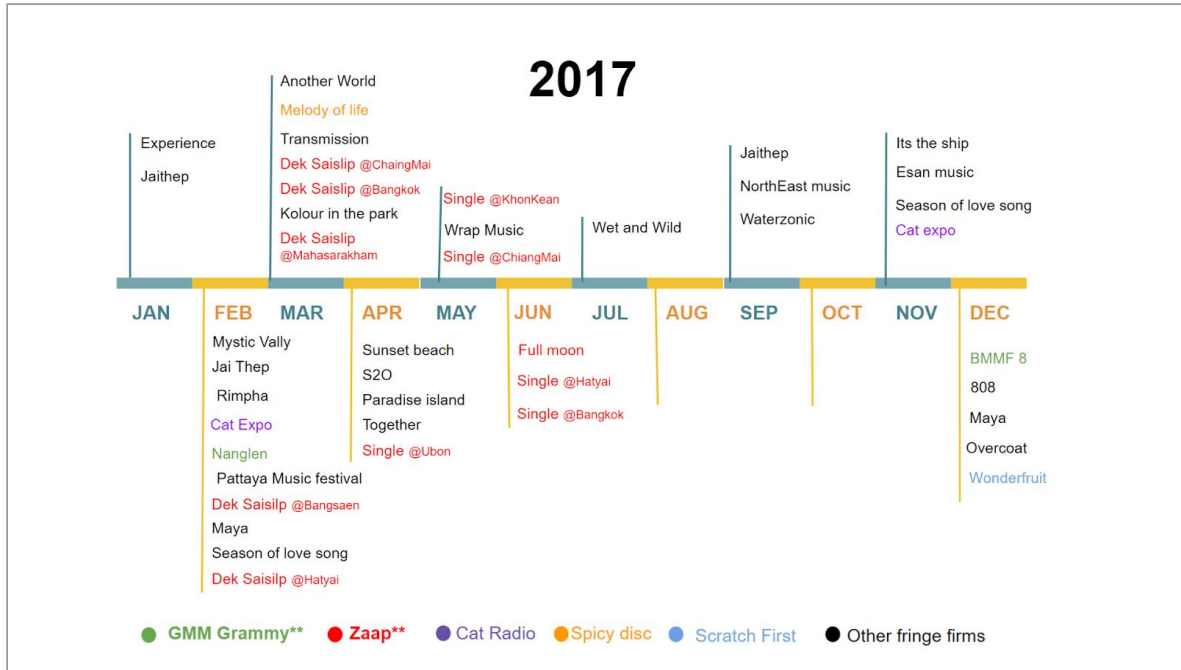
Source: constructed from the author's own survey

Figure 7 : Thailand's Music Festival Calendar in 2016



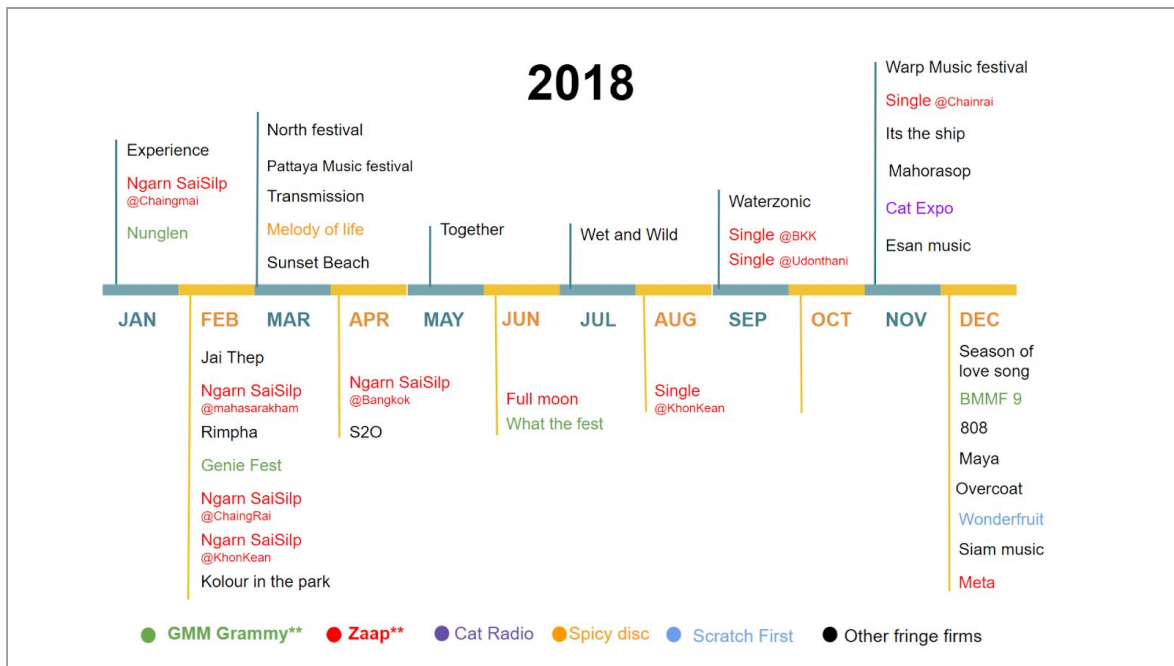
Source: constructed from the author's own survey

Figure 8 : Thailand's Music Festival Calendar in 2017



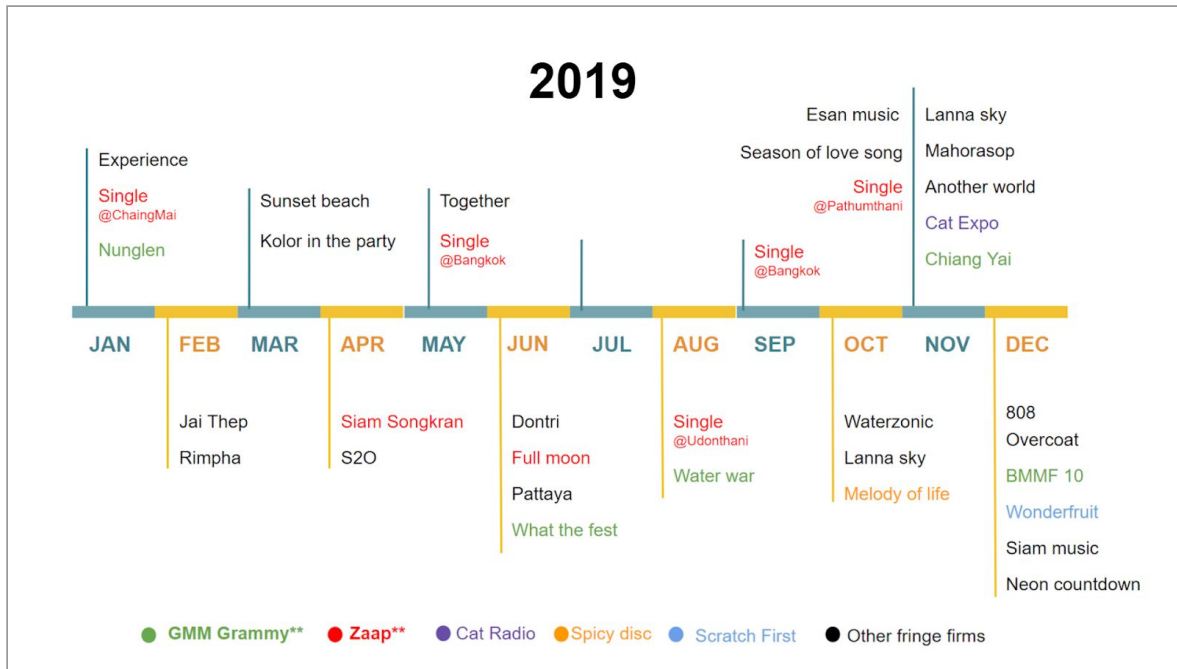
Source: constructed from the author's own survey

Figure 9 : Thailand's Music Festival Calendar in 2018



Source: constructed from the author's own survey

Figure 10 : Thailand's Music Festival Calendar in 2019



Source: constructed from the author's own survey

Pricing strategies

In addition to finding a sponsor of the music festival organizer, There is another equally important part of ticket sales. Methods for the profit of each company will vary. In most cases, the price determination is in the form of price discrimination, which can be divided into 1st, 2nd, 3rd-degree price discrimination. In this musical industry, competition is quite high. Organizers with a large amount of capital will have the advantage of cutting the price of competitors. In Thailand, the average ticket price is quite low due to the Thai society's unfamiliarity with the high ticket price. Using price strategies is one way to find a profit, such as prices of tickets sold in advance, buying tickets in bulk, and VIP tickets etc.

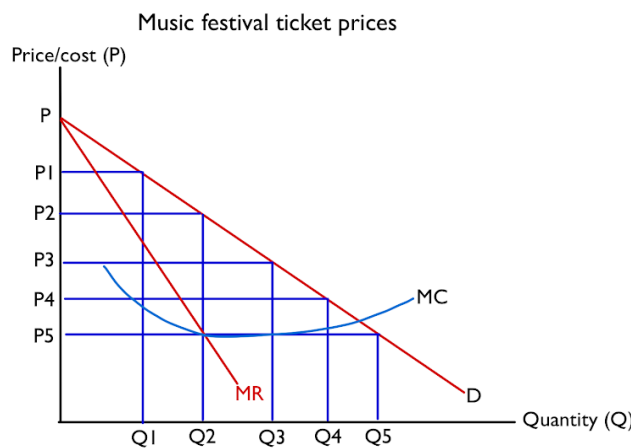
Price Discrimination

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. However, 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.

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 lower than the regular price. Moreover, there is also another form of sale promotion, which is "buy five get one free". Therefore, the price per ticket will decrease, as seen in Figure 11.

Figure 11 : The second degree price discrimination



Source: constructed from the author's own survey

Price discrimination by features of consumer groups 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.

Figure 12 : Poster of the music festival ticket prices

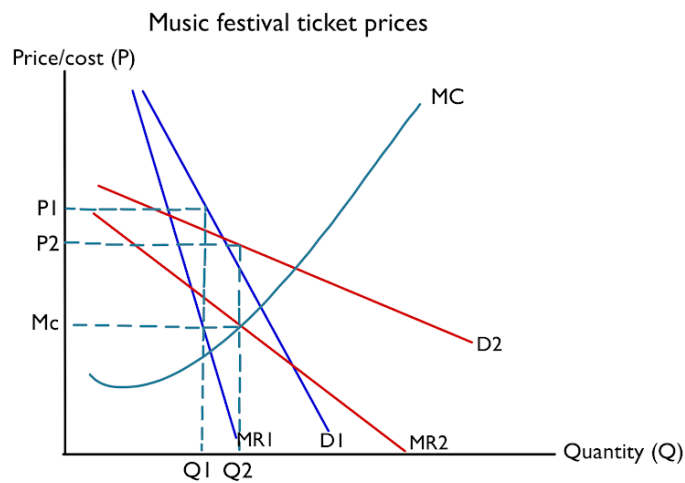


Source: EDM addicts fan page

When the organizer sells the same product to a different customer based on the elasticity of demand among the customer groups, thus, segregation based on different consumers' willingness to pay and PED (responsiveness to price change). In case of 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. Therefore, if you buy the ticket early on, you might end up paying the lower price since you are going to be more responsive to price change. 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. As can be seen in Figure 12, the price of the Siam Songkran music festival and the S2O music festival will vary depending on the time. 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 becoming inelastic.

Figure 13 : The third degree price discrimination



Source: constructed from the author's own survey

Nevertheless, there are lots of examples of third-degree price discrimination. The graph in figure 13 showed the case of different customers who buy VIP and regular tickets. We assume that two types of the audience come to the music festival. The first group of audiences who have a relatively inelastic demand is willing to pay for the higher price with a VIP ticket and The second group of audiences who are willing to pay for the lower price with a regular ticket. Demand for the first group for music festival ticket prices is relatively inelastic with a steeper demand curve(D1). The first groups of audiences tend to have more disposable income than other groups. Therefore, they are willing to pay more for the music festival tickets and less responsive to price changes. The marginal revenue curve that goes with the first group's demand and its slope is twice as steep as demand(MR1). The demand among the second group of audiences is less willing to pay for the music festival tickets.

Therefore, the demand is more responsive to price changes(D2) and the marginal revenue among the second group, which is twice the slope of the demand(MR2). There are demand curves for the two different customer groups that the organizer tries to charge different prices. The organizer has to determine what price to charge each of these two

groups, then we add the marginal cost curve into the graph(MC) with upward-sloping for this industry. The organizer would sell the ticket prices based on the demand of each group. At the quantity of the second group(Q2), they would charge the price of P2. The organizer could do better than charging a single price for the regular groups. So, they could be charging two different prices. The price for audiences who have a higher willingness to pay is at P1, and the demand that is sold to audiences will be at Q1. The organizer would earn more revenue and profit by selling fewer music festival tickets at a much higher price to the VIP groups.

Performance

Organizers see that the showbiz business or the music festival event business are rewarded both in terms of income and reputation. In terms of revenue from the music business, the technology that has changed the purchase of physical products, digital products by causing the sales to decrease continuously. Those who do this business have to keep up with modern times. However, the music festival has not changed much because technology is still unable to access it. In the future, showbiz business may be the main income of some organizers at all. Live performance in the music industry is considered an interesting and investment business. To succeed in doing this business is quite difficult and takes time to prepare. Not everyone will run this business successfully. It depends on many factors. Therefore, we have divided the performance indicators of the company into two parts, which are the factor in the success of the music festival and the challenge of the music festival in Thailand. In the last section, we will discuss the views of the future music industry in Thailand.

The success of organizing a music festival

First, the success factor must come from the concept. The concept must be clear and easy to understand, as well as effective communication. People must be able to sense what we want to convey to the audience. The second factor is marketing concepts such as ticket sales and sponsors. By world standards, 80% should come from ticket sales, and another 20% will consist of sponsorship, merchandise, and F&B (food and beverage). The earning income depends on the nature of the music festival. The big music festival has quite a lot of F&B. On

the other hand, if a small music festival, the average ticket price is quite high, such as a musical stage. The standard value of the sponsorship should not exceed 10%. In most cases, the cost will not exceed 60% which means that the organizer will make more than 20% profit while Thailand has an average of 50:50, which is 50% of ticket sales and the remaining 50%. Thais are familiar with the ticket price that is not very expensive. Therefore, the organizer must rely mostly on sponsors. However, some big events, such as the big mountain music festival, have a high average of 70:30. The investment of the sponsor depends on the scale of the festival. The number of people affects the value of the music festival. The bigger the event, the more people will see the product. As a result, the sponsor price is also high. Besides, the sponsor can participate in the promotion through various methods such as buying Pepsi and taking the receipt as a discount for the ticket purchase. It will increase the sales of their product. This has a direct effect on increasing sponsorship fees.

Thirdly, the factor is consumer understanding. Making people decide to come to the music festival is one of the important things. Nowadays, we are not only competing with other music festivals, but we also compete with people's time. Regardless of what type of event, our main weapon that makes people decide to spend time at a music festival is Magic Moment or new experiences. In addition, the final factor is the size of the company. Doing an event business requires expertise and understanding due to the high-risk business. But if we are successful, this business may be extremely profitable. We can see that a live nation entertainment company is considered the largest company in the music industry. The margin of the company is just 5%, which is considered to be very risky. Nevertheless, the total revenue of that company is ten billion. Making profits of only 5% is considered worth the investment. However, the Grammy Company, which is considered a company with large scale production in Thailand can make profits of over 100 million. By doing this, showbiz business is considered worth the investment for their business. With companies of small event organizers, such as Isan Kheaw Music Festival is a relatively small business. Some small companies must find ways to survive in this industry. Therefore, if the structure of your company is not large enough, You will not be able to survive in this industry.

The challenge of organizing a music festival in Thailand

Barriers to entering the music festival industry are varied. The first challenge is brand building. To create a festival as a brand, the characteristics of the music festival must be clear. Another challenge is that the concept must be interesting and different from others. For example, the concept of the Big Mountain music festival is the main music festival in Thailand and it has all kinds of music, and the concept of Cat Expo is the music festival of the new generation who listen to alternative music or specific music. We can analyze that if the concept of the festival is not interesting enough, the audience will not be able to understand why we are going to this event. Moreover, the concept or theme of the event must be strong enough to attract the audience. Furthermore, our lineups are moving a little slow. Lineups on the main stage of every festival have changed very little. The main artists are line ups similar to 4-5 years ago. However, if we compare with the major music festivals in the world, the line-up will change continuously. In Thailand, the growth of our new artists is too slow. Thus, it makes the line up not very different each year

Another factor is external, that is, consumer behavior. The challenge is the perception of the participants. Some music festivals are even free events. The organizer must make it clear and unambiguous, which shows that the ticket price is worth the experience. In this era, the listening behavior of music is influenced by streaming services quite a lot. The live event organizer must retrieve information from the streaming system in order to find out what kind of music Thai people like to listen to. For instance, Grammy combined the data obtained from streaming together with the Grammy system, resulting in the company's movement that is very accurate. Moreover, the cat expo is able to extract information from the company's own radio program, cat radio. Technological change may require the organizer to adapt to the situation.

The biggest challenge in this music industry is growth and progress. In the evolution of event organizing, the size or capacity of people is not an indicator of development, but the growth of events depends on the diversity and survival in this industry. As we see more and more people or the larger music festival scale like the S20, big mountain, in this kind of event we can clearly see the growth of the mass market. Since there are limitations, we are unable

to find the capacity of each event and the total number of visits because some of the data cannot be disclosed. Therefore we cannot measure the growth of each music festival. Another characteristic that occurs in this industry is the niche market—people who are interested in folk songs or specific music. In Thailand, there was a small music festival, such as Kien Khai, Gamnongnang nun deang kwa krai. Some small music festivals that are only viewed by hundreds of people. It shows that some business models are created to support every scale of work. Otherwise, everyone has to compete in a big music festival, which is impossible. It's not every type of music that can attract a lot of people. The business that can survive with a lot of people shows that some genres of music will never happen, such as music festivals for specific groups. Overall, in this industry, having a small or large music festival is not as important as survival in order to be different and continue to grow. The S20 music festival is the only dance, but at the same time there will be events such as cat expo, which is an indie artist, Esan kyaw festival that combines folk artists. These businesses can continue to grow in the future. Diversity is considered an indicator of this segment or business. This means that there is a chance of growth.

The perspective of the music industry in the future of Thailand

The direction in this industry will change with the advent of technology. The modern world has changed the behavior of listening to music, buying music in the music industry. But there is only one technology that has not yet reached the music festival. In the near future, if it could really happen, it would be considered an important step to be a turning point in this industry. Moreover, there may be more specialized music festivals in Thailand. Therefore, the change of age may lead to a subculture that will allow this industry to grow. In addition, the gathering of markets in Southeast Asia that people can move to watch foreign music festivals conveniently and easily.

VII. Conclusion

The primary purpose of this research paper is to understand the Thai Music Festival industry. There are three main research questions, which are "What are the purposes of the music festival in organizers' perspective?", "How does the industry work?" and "How do these players set their own strategies?". Researchers collect primary data by conducting the in-depth interview for the representatives from big players. Secondary data is gathered from news, articles, and relating research papers. All data will be analysed by SCP paradigm. For the result of the first research question, each firm has a different purpose of organizing a music festival. Firms run the business not only for profit, but also for maintaining the community allowing Thai artists to communicate with their fans.

Moreover, there are some firms who do it as an additional activity to respond to their interests and passion towards music events. The answer to the second research question, "How does the industry work?" is that this industry is categorized as oligopoly since the market consists of a few dominant firms and many fringe ones. This industry works as a two-sided market because a firm serves both sponsors and customers. The answer to the last research question, which is about the players' strategies, is interesting that 'timing' of music festivals is not a competing strategy adopted by firms because the timing of organizing the event depends on seasons, periods of celebration, and holidays instead of competitors' calendar. Therefore, the main strategies used by the players in the industry are economies of scale, horizontal integration, product differentiation, and pricing strategy.

For the two-sided market, the music festival industry is quite similar to the television networks mentioned in the literature review. The television networks operated by choosing programs to match advertisers and viewers while the music festival organizer is matching between sponsors and audiences. Furthermore, the sports tournaments also engage in sponsorship activities, and it is able to generate brand or product awareness and build images for their sponsors as well as the music festival industry. Music festivals can increase brand awareness of the sponsors by many promotional activities..

To maximize social efficiency, researchers want to suggest some policy. Music festivals can be considered as a source of income for the state and business sectors.

Organizing a high-quality music festival is quite expensive and challenging to support. Therefore, we need government intervention through the subsidy that will increase the quality of production and consumption to achieve social efficiency. The promotion of music festivals has a significant impact on the country's image and is considered as a part of the tourism industry. The tourism sector plays a vital role in Thailand's GDP and is still supporting the economy. The implementation of these policies is expected to lead to positive results for the state in the development of long-term tourism potential. The more tourists come to Thailand to attend music festivals, the more money the industry gets. Moreover, this policy also leads to a lower price of music festival tickets, which can increase consumer surplus. Thus Thai music festival industry can be profitable for the state. Researchers think that state intervention policies are effective enough to promote the music festivals industry.

The first business strategy suggested by researchers is to encourage firms to engage more in product differentiation since the wider variety of music festivals offered in the market, the more choices of music events for customers to consume, leading to higher customer satisfaction. Moreover, firms who differentiate their events by focusing more on niche markets or a group of people who have preference towards specific kinds of music would also give the indie artists a chance to perform in the particular event. From the authors' perspective, horizontal integration can reduce the cost for audiences, which leads to maximizing total society efficiency. In other words, authors suggest that the fringe such as, radio station, and the dominant, GMM Grammy, could collude to do the music event, this event will have lower license prices which can reduce the cost of the event. As a result, the audiences will face a lower price of the ticket. The last business strategy that researchers suggest firms do to maximize social efficiency is a quick response strategy. This strategy is one of the business strategies that focus on various adaptations so the company can respond to customers' needs through new technology development and modern tools.

Limitation

Researchers face some limitations during the process of this paper. Due to the COVID-19 pandemic situation, the researchers have some difficulties in collecting primary data through the in-depth interview. Therefore, researchers have to conduct the online interview instead. There are also some problems emerging from secondary data collection. The information of ticket sales of each event is not available in the public media and the capacity of the particular music festival cannot be measured by the existing data because most events are held in the open space rather than a hall with specific seats or space. Since most firms are doing music festivals as an additional activity, the exact profit of doing music festivals cannot be illustrated clearly by each firm's annual report. Hence, in this case, researchers cannot use ticket sales, capacity and the profit of doing music festivals as the determinants of industry's performance.

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