Feasibility Study
of
Upgrading the URBTIX System with Added Values in Arts Promotion

Prepared by:	Alfacom Solutions Limited
Name of Customer:	Hong Kong Arts Development Council.
Address	11/F, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong
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Alfacom Solutions Limited

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1 Executive Summary

The Hong Kong Arts Development Council (ADC) has commissioned Alfacom Solutions Limited to conduct a consultancy study to explore how the ticketing function can complement the promotion of arts and to investigate the possibility of ADC hosting a ticketing service.

To present an overview of the ticketing industry in Hong Kong, the feasibility study report starts with an assessment on each of the three major ticketing service providers in Hong Kong, namely, URBTIX, Ticketek Hong Kong, and CityLine (Hong Kong) Ltd.. Each assessment has covered the technical architecture, organization structure, business processes, service offerings, financial model, business relationships and future plans of the ticketing operator.

Based on the understandings of the Hong Kong ticketing market, some recommendations have been derived on the different value-added services that could be provided through the ticketing functions for the benefits of arts promotion:
- Creation of arts portal for Hong Kong
- Advertising/ promotion and ticket transaction through mobile technology
- Use of kiosks for self-serve ticket transaction and promotion of arts
- Value-added ticket coupons for arts promotion

To achieve the objectives of arts promotion, it was found that ADC would be a strong candidate to be involved in the ticketing operations:

1. With ADC's credibility, its well-recognized position in the community, and its strong connection with other government bodies, ADC could expand the ticketing distribution networks at a lower cost than other ticketing operators.

2. ADC is the only party who can offer the value added services without imposing additional charges onto the public, due to the missions and responsibilities of ADC as a statutory body to promote arts.

3. ADC has the expertise, connection and recognition within the arts community to be the best candidate for the building of arts portal of Hong Kong.

4. ADC can best utilize the ticketing/ membership data captured from the ticketing activities:
    a. To derive arts policy and formulate marketing strategies for arts organizations
    b. As bases for grant allocation to performing groups
    c. For the compilation of Cultural Index for Hong Kong

A gap analysis on URBTIX is then performed to access its readiness to offer the value-added services and to complement the promotion of arts. It was found that the current URBTIX system lacks the technical capability to fully realize the benefits of latest technology. For example, the Internet channel is not integrated with the ticketing system and the printing of tickets is not dynamic. The reactive organization culture also hinders the introduction of value-added services. By positioning itself as a pure ticketing engine, URBTIX is not ready to expand its business scope to offer event marketing and promotion function which would be valuable for the promotion of arts. Though efficient, certain process improvement opportunities can still be identified such as the automation of the ticket sales monitoring. Finally, the financial structure could be reviewed to identify costs saving opportunities.

The gap analysis is followed by a competitive analysis on the three major ticketing operators. The analysis has revealed that URBTIX is still a major player for events ticketing given its longest years of establishment as well as its strong brand name and network of venue box offices. Ticketek Hong Kong, a relatively new player in the Hong Kong market, is quickly catching up by securing the show venues under the Hong Kong Ticketing Alliance as well as the ESDLife kiosk network. The system used by Ticketek Hong Kong, Softix, is also a world class ticketing system which has over 20 years of proven records. CityLine (Hong Kong) Ltd., on the other hand, has an in-house ticketing system, the Universal Ticketing System (UTS). The system offers localized and advanced functionality for ticket sales. Although majority of the transactions are now on movie tickets, CityLine has been enhancing its system functionality to prepare itself to enter into the event market.

The last section of the report is a study on the feasibility of ADC-hosted ticketing service. Three possible models have been identified in the study:

- LCSD outsource the ticketing services to an existing/ new ticketing operator with ADC acting as a member of the monitoring and advisory board
- LCSD release the ticketing function to ADC
- Set up a joint venture to operate the ticketing function with ADC as a partner

A cost and benefit analysis has been performed on each of the model to outline the pros and cons of each option. To summarize, option 1 is the most cost effective and least risky option where ADC is positioned as a monitoring and advisory board. However, this would also mean ADC could not realize its strengths in utilizing the ticketing functions to promote arts. Option 2 would require the highest level of ADC's involvement and commitment where ADC would take up the ticketing function from LCSD. But at the same time, this would offer ADC the greatest opportunity to marry the ticketing and arts promotion function. Option 3 would be the hybrid of Option 1 and 2 where the risk and cost factors could be significantly lower while maintaining a reasonable level of control. This is where the expertise of all the business partners can be leveraged but not 100% of the ticketing benefits can be channeled back to the arts community.

2 Introduction

The Hong Kong Arts Development Council (ADC) was established by the Government in June 1995 to plan, promote and support the broad development of the arts (including the literary, performing, visual and film arts) and arts education. The ADC is dedicated to induce artistic creativity to offer a more enriching life, enhance the quality of living and artistic appreciation of the general public.

At present, ADC sells all the event tickets through URBTIX. With the vision to promote art in the Delta region, ADC contracted Alfacom Solutions to conduct a study to analyze the feasibility to establish or take over a ticketing network in the region. The main purpose of the study is to collect information about the URBTIX and other ticketing services in Hong Kong and make recommendations on how the URBTIX can further be upgraded to facilitate the promotion of arts.

The feasibility report is structured as follows:

Section 1 – Present an executive summary by outlining the major findings of the feasibility study

Section 2 – Explain the project background, project objectives, as well as introduce the structure of the feasibility report

Section 3 – Analyze the ticketing market in Hong Kong with focus on three major players, URBTIX, Ticketek Hong Kong, and CityLine (Hong Kong) Ltd.

Section 4 – Recommend the value-added services that can be offered through the upgrade of the URBTIX system, as well as highlighting the strengths of ADC in marrying the ticketing and arts promotion function

Section 5 – Perform a gap analysis on URBTIX system

Section 6 – Conduct a competitive analysis of the three major ticketing operators in Hong Kong

Section 7 – Analyze the feasibility of ADC-hosted ticketing service

3 Analysis of ticketing operators

This section will study the major ticketing operators in Hong Kong. Emphasis will be placed on the URBTIX.

3.1 URBTIX

3.1.1 Overview

URBTIX (Urban Ticketing System) is a computerized ticketing system providing a wide range of ticketing services for cultural and entertainment events in Hong Kong, which is currently operated under the Ticketing Office of the Leisure & Cultural Services Department (LCSD). It does not only sell tickets for LCSD's own presentations, but also acts as a ticketing agent for events presented by hirers of the Department's venues.

URBTIX services include counter bookings at its 31 outlets as well as telephone reservation services. It also handles credit card phone orders. On-line Internet booking is available for major events for the convenience of both local and overseas customers. To facilitate overseas booking, fax confirmation of telephone bookings has been provided.

3.1.2 Technical Architecture

In 1984, URBTIX was sourced from Space Time as a system called BOCS. The system now runs on Compaq Alpha platform and the latest upgrade could be dated back to 1995 which was focused on processor and server upgrade. The current software version is BOCS v3.9 while the latest version available is v4.0. The system has the logic to offer "best available seats" and other basic ticket selling functionality, however, it does not support the entry and display of Chinese characters currently.
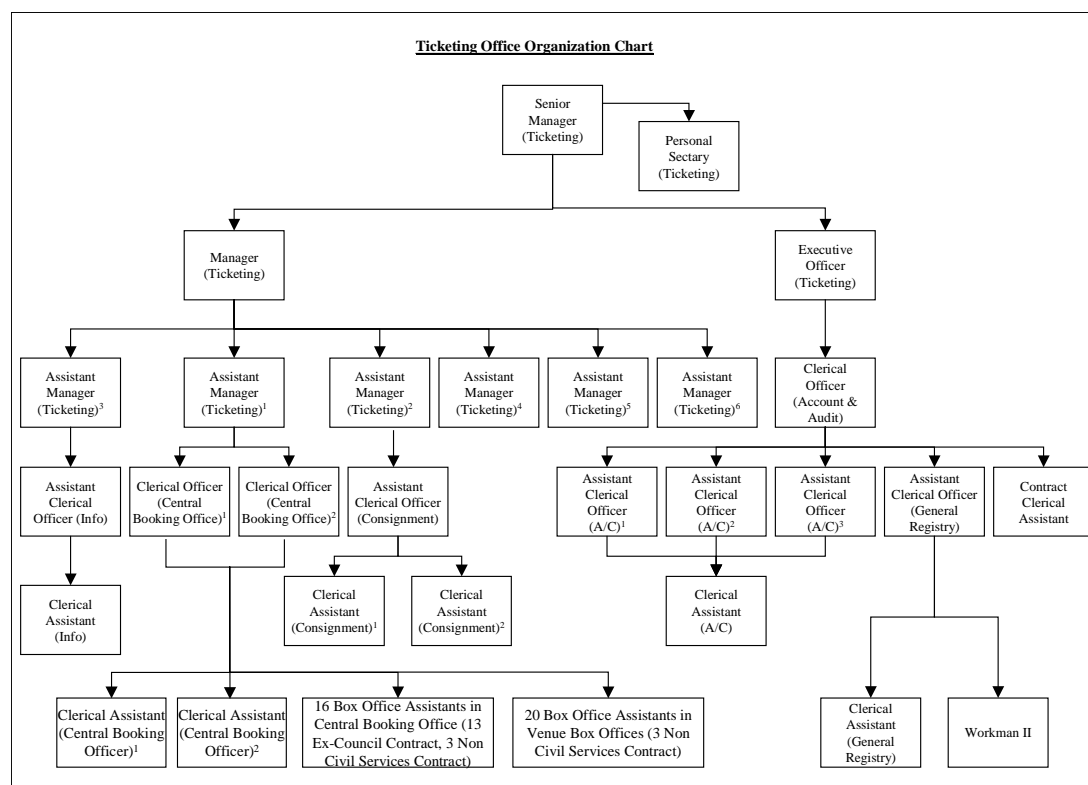
URBTIX consists of multiple VT400 terminals connected to a central server via leased line. The number of terminal at each point of sales ranges from one to five (e.g. in Cultural Center). Two identical servers are available and mirrored so that service delivery would not be affected even if one of the servers is down. BOCA printers are used for ticket printing where Chinese printing is supported. Various auditing and accounting functions are also supported to allow regular and centralized reports generation and payment transaction and settlement. Interactive Voice Response System (IVRS) is currently not available. Telephone enquiry and reservation is handled at a call center environment which will be discussed in more details in section 3.1.5.1 below.

URBTIX system itself does not support Internet booking and the Internet booking services is now provided by CityLine under contractual agreement. Detailed information on the Internet booking services can be found in section 3.1.5.1 below. Apart from Internet, URBTIX ticket sales is also not available in kiosks, such as those provided by ESDLife.

The URBTIX booking service is available daily from 10a.m. to 9:30p.m. after which maintenance and housekeeping activities could be performed. URBTIX has also developed comprehensive disaster recovery procedures. Contractor backup is available in Kowloon Bay, dataline backup is also available for most of the major venues. Usually, the system can be recovered within 4 hours after the breakdown.

3.1.3 Organization Structure

URBTIX is managed by the Ticketing Office of the Leisure & Cultural Services Department. The total headcount is 44 including 24 permanent staff, 3 Non Civil Service Contract Assistant Manager, 1 Contract Clerical Assistant and 16 contract Box Office Assistant (13 Ex-council Contract and 3 Non Civil Service Contract).

Ticketing Office Organization Chart

Senior Manager (Ticketing)
Personal Sectary (Ticketing)

Manager (Ticketing)
Executive Officer (Ticketing)

Assistant Manager (Ticketing)[3]
Assistant Manager (Ticketing)[1]
Assistant Manager (Ticketing)[2]
Assistant Manager (Ticketing)[4]
Assistant Manager (Ticketing)[5]
Assistant Manager (Ticketing)[6]
Clerical Officer (Account & Audit)

Assistant Clerical Officer (Info)
Clerical Officer (Central Booking Office)[1]
Clerical Officer (Central Booking Office)[2]
Assistant Clerical Officer (Consignment)
Assistant Clerical Officer (A/C)[1]
Assistant Clerical Officer (A/C)[2]
Assistant Clerical Officer (A/C)[3]
Assistant Clerical Officer (General Registry)
Contract Clerical Assistant

Clerical Assistant (Info)
Clerical Assistant (Consignment)[1]
Clerical Assistant (Consignment)[2]
Clerical Assistant (A/C)

Clerical Assistant (Central Booking Officer)[1]
Clerical Assistant (Central Booking Officer)[2]
16 Box Office Assistants in Central Booking Office (13 Ex-Council Contract, 3 Non Civil Services Contract)
20 Box Office Assistants in Venue Box Offices (3 Non Civil Services Contract)
Clerical Assistant (General Registry)
Workman II

As indicated in the organization chart, there is a total of 8 managerial staff under the Ticketing Office. Each of the Assistant Manager will be assigned to overlook the ticketing activities of one or more of the LCSD venues, depending on the number of events held in the venue. They will be responsible to handle all the queries from the event organizers and they will rotate to work on weekends and public holidays to handle ad-hoc requests. About 75% of their time will be assigned to these tasks, whereas the rest of their time will be focused on the administration activities of the Ticketing Office.
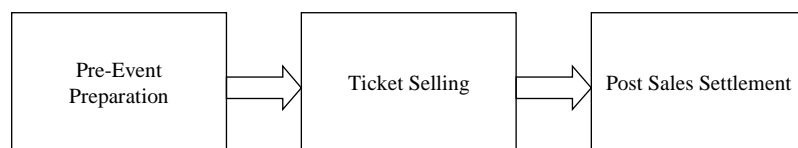
Apart from ticketing, the other major arm is the accounting and auditing section which is set up according to the government's account and audit requirements.

The 16 Box Office Assistants are those who work at the central booking office, that is, the call center, to handle telephone enquiry/ reservation. They are working on shift. There are also 20 Box Office Assistants who are located at the venue box offices. They are under the direct supervision of venue management on a daily operational basis, where the Ticketing Office is only responsible for the coordination of matters pertaining to recruitment, leave relief and contract renewal. For the rest of the ticket sales assistants at other retail outlets, they are recruited and managed by the outlets themselves (i.e. Tom Lee and Hong Kong Academy for Performing Arts).

Though not shown in the chart, the Ticketing Office is supported by 1-2 technical support staff from the IT Division of LCSD (located in different office from the Ticketing Office) who provided support on as needed basis.

3.1.4 Business Processes

The ticketing activities can be broken down into three major business processes as described below:

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┌──────────────┐      ┌──────────────┐      ┌────────────────────┐
│  Pre-Event   │ ──▶  │ Ticket Selling│ ──▶ │ Post Sales Settlement│
│ Preparation  │      │              │      │                    │
└──────────────┘      └──────────────┘      └────────────────────┘
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Pre-Event Preparation:

Before any event can be hosted, the event organizer has to book the venue where the ticketing information is submitted for approval. Once the venue is confirmed and the ticket information approved, the ticketing information will be sent to LCSD Ticketing Office where the ticket information is configured in URBTIX. The event organizer would also have the chance to check the sample of the ticket. Ideally, the information should be sent to the Ticketing Office one month before the event. Apart from getting the system ready for ticket sale, LCSD Ticketing Office would also act as the central body to liaise and co-ordinate with other third parties such as the venue to communicate the event information, as well as to co-ordinate the display of the promotion materials, etc..

Ticket Selling:

During the period of ticket sales, the LCSD Ticketing Office will be the central party to manage all the different sales channel as described in section 3.1.5.1 below. The Ticketing Office is also responsible for generating daily reports for audit and reporting purposes. During the sales period, the Ticketing Office will be working very closely with the event organizer to provide information on ticket sales, or to arrange for the printing of consignment tickets. To ensure the request for printing of consignment tickets can be handled, the Ticketing Office has set a maximum of 200 consignment tickets to be printed each day. If the system capacity allows, the Ticketing Office also handles request for the printing of more than 200 consignment tickets. Currently, around 95% of such requests could be handled where the rest would experience a 1-2 days' delay. Consignment tickets that are not issued yet can be released for sales again upon written request. The request could normally be handled within one to two hours. Consignment tickets that have been issued could also be returned for re-sale and the daily limit has been set to 50 tickets. The number of tickets to be handled for return can be adjusted based on system's capability and resources' availability. All tickets issued will be charged for the $6.70 ticket charge, thus, when the consignment ticket is first issue, the charge will be levied, and when the ticket is returned and sold again, another ticket charge will be levied.

Post Sales Settlement:

After the performance, the event organizer will receive a sales report and the box office income (all ticket revenue minus ticket charges, all commissions and any other costs) from the Ticketing Office. The sales report is available immediately, but a cross checking with venue needs to be performed to ensure there is no discrepancy and to settle any damages if found. This validation will take about one week. The sales report will have information on the total number of tickets sold and by which payment method, or any other transactional information that the event organizer has previously requested. Information on sales channel is also available but it has not yet been requested for. Customer profile information, however, is currently not available.

Since the box income is released from the Treasury instead of from the Box Office, there will be a time lag before the event organizers can receive the income. Usually, the box office income could be settled within three weeks. If required, the Ticketing Office could arrange a weekly re-imbursement for the event organizers.

3.1.5   Service Offerings

URBTIX is purely a ticketing system and its only service offering is ticket selling. The Ticketing Office also acts as a centralized body to co-ordinate the ticketing activities. For example, it will consolidates all the events information and prepare the events calendar and other program publications which are available at all venues, libraries and schools, etc..

3.1.5.1   Ticket Sales

URBTIX is an established ticketing system and its distribution network includes:
- Counter Sales
- Telephone Enquiry and Reservation
- Credit Card Phone Orders
- On-line Internet Booking
- Postal Booking
- Fax Booking

Counter Sales:

URBTIX ticket sale is available at 31 outlets throughout Hong Kong. The ticket office opens daily from 10a.m. and closing time varies from 6p.m. to 9:30p.m., depending on locations. Normally, counter booking commences one month before the program takes place. For a performance about to start in one hour, tickets may only be brought at the box office of the venue concerned. Both cash and credit card payment are accepted. To achieve higher efficiency for counter sales, the box office may impose certain restrictions on the maximum number of tickets that can be purchased at a time. For example, the box office normally do not process purchases involving more than 40 tickets during busy hours. Patrons are advised to contact the URBTIX hotline for other appropriate arrangements when there are queues at the counter. Also, depending on the popularity of the program, a restriction on the maximum number of tickets (e.g. 10 tickets per purchase) would be imposed on the first day of counter sales for that particular program.

Telephone Enquiry and Reservation:

Telephone enquiry and reservation service is available for free for all patrons. The service is available daily from 10a.m. to 8:00p.m. at hotline 2734-9009. Telephone reservation service is available from the second day of counter sales until one hour before performance. Tickets will be reserved for up to three days (or by one hour prior to event, whichever is the earlier) to be collected and paid for at any URBTIX outlets by cash or credit card (for some programs, the ticket can be reserved for up to seven days). If the tickets are not collected within the specific timeframe, they will automatically be released for public sales. The current utilization at the Call Center indicates that the number of customer enquiry calls is more than the reservation and booking calls.

Credit Card Phone Orders:

For registered patrons, they may call hotline 2734-9011 daily from 10:00a.m. to 8:00p.m. and book tickets upon password verification. Tickets will be mailed to their registered address and charged to their credit card account. Service fee is $5 per ticket up to maximum of $20 per order. Maximum is 40 tickets per order. Since credit card phone booking has been introduced to non-registered patrons, this registered patrons' service will be phased out eventually and is not being actively promote.

Apart from credit card phone orders for registered patrons, URBTIX has also engaged CityLine HK Ltd. to provide telephone booking services using credit card to all non-registered patrons. This service started from June 1, 2001 where all non-registered patrons may call hotline 2111-5999 daily from 10a.m. to 8:00p.m. to book tickets with credit card. Tickets will be mailed to patrons and charged to their credit card account. Service fee is $5 per ticket up to a maximum of $20 per order. Maximum is 40 tickets per order.

On-line Internet Booking:

Since 6 June, 2000, URBTIX has engaged a commercial agent to provide on-line Internet booking service for LCSD events, events held at Hong Kong Coliseum or Queen Elizabeth Stadium. This service is free of charge and the event organizers can decide whether to utilize this sales channel. The reasons for not opening this channel to all programs at all venues is due to the fact that the costs incurred could not justify the benefits. Currently, about one-third of the events are available on-line. Seats selection for on-line Internet booking will be limited since URBTIX is going to allocate a portion of the seats available to open for sale on-line due to the fact that the URBTIX's BOCS ticketing system

is not integrated with CityLine's online ticketing system. It is actually technically feasible to integrate the two systems, however, given LCSD's plan to outsource the system, the integration efforts is now put on hold. Tickets will be mailed to the patrons and charged to their credit card account. Service fee is $5 per ticket up to maximum of $20 per order. Maximum number of tickets per order is 40. This service is currently provided by CityLine HK Ltd.. Patrons can enjoy the services by accessing to www.urbtix.gov.hk, or the main LCSD website (www.lcsd.gov.hk), or through www.cityline.com.

Postal Booking:

Mail order is available for major events organized by LCSD or other events organized by Hong Kong Arts Festival and Hong Kong International Film Festival. Again, the reason for not opening this sales channel to all programs is the fact that the costs incurred would outweigh the benefits. Payment by both credit card and cheque is accepted. Postage is by means of stamped return envelope.

Fax Booking:

Fax booking is offered together with postal booking and is primarily established for the convenience of overseas patrons. Overseas patrons may call hotline 2734-9011 daily from 10a.m. to 8:00p.m. to check ticket availability. They can then fax a booking form with the event details for confirmation within three days. Upon confirmation of event and credit card details, the tickets will be placed at the performance venue for patron's collection upon arrival. Service fee is $20 per order. The average transaction volume for fax booking is about 120 per month.

All tickets sold cannot be cancelled and are non-refundable. Refund is only arranged on exception bases upon the presentation of very strong reason for cancellation. Ticket exchange may be arranged for different performances of the same event where a handling fee of $5 is charged.

In the case of event cancellation, the event organizer will be responsible for refund, with the help of the Ticketing Office, if required.

3.1.6   Financial Model

3.1.6.1 Revenue

The major source of revenue is the ticket charges based on the number of ticket sold. Currently, the charge per ticket is $6.70. This charge is effective since 1 September, 1997, and is calculated based on the "Full Cost Recovery" approach. The charge has been frozen for these few years due to the poor economic situation.

Concessionary tickets, group booking discounts and other discounts maybe offered by the organizer, but this would not affect the ticket charge that needed to be paid to URBTIX.

For some of the cultural organizations, subsidy of up to 65% over the ticket charges could be given. This will mean that the charge per ticket is only $2.34.

The table below lists the transaction volume of URBTIX in the past 3 years:

Year	Number of Tickets Sold
98/99	3,768,000
99/00	3,725,000
00/01	3,559,000

The peak of ticket sold can be dated back to 1994 with number of ticket sold mounting up to over 4 millions.

Based on last year's ticket sold, about 1.6 millions of tickets are for the events hosted by LCSD which represents about 43% of total transaction volume.

Historically, all events organized in venues managed by LCSD would need to utilize URBTIX for ticket sales. Starting from April 1, 2001, however, some of the LCSD venues (e.g. HK Coliseum, Queen Elizabeth Stadium and all venues in the New Territories) are open to other ticketing operators such that organizers could choose any ticket operators for ticket sales. Although the ticketing industry is now more open for competition, the total transaction volume of URBTIX indicates that it is still the major ticket operator.

URBTIX is also charging the customers service fees and handling fees. Service fee is charged for telephone/ Internet booking, etc., whereas handling fee is charged for ticket exchanges. In the case when additional staffs are needed to handle the demand, the ticketing office would charge the event organizer the additional costs incurred.

3.1.6.2   Costs

The major cost areas for URBTIX include staff compensation, equipment and rental, etc.. Staff compensation account for the largest part of URBTIX's cost and it adds up to about 70% of the total. Due to the depreciation factor, the cost of equipment has been decreasing and accounts for minimal portion of the pie.

3.1.6.3   Profits and Loss

Although URBTIX's ticket charge is calculated based on a 'full cost recovery' approach, it is difficult for URBTIX to achieve accounting balance for its operations due to the following reasons:

1. With the freeze of ticket charge since 1997 as well as the recent drops in transaction volumes due to poor economy, the total income received is actually less than the estimation back in 1997 when the ticket charge was set.

2. As a government office to promote Cultural and Arts, LCSD is subsidizing many cultural organizations in terms of ticket charges, this would also affect the ability to cover its operation costs.

3.1.7   Relationship with other Ticketing Operators/ Network/ Sales Channel

In most of the events, the organizer would only engage one ticketing operator. In the history of URBTIX, there was only one occasion where both URBTIX and Ticketek were engaged as the ticketing agents. In this occasion, the two agents were managed by the organizer itself.

Currently, URBTIX has engaged CityLine HK Ltd. to provide the telephone booking services as well as the Internet booking services. The arrangement is by contractual agreement and is to be reviewed annually.

URBTIX also has a contractual arrangement with Tom Lee to utilize its outlets for ticket selling and the contract is to be reviewed bi-annually. Under the current arrangement, URBTIX does not need to pay Tom Lee for using its outlets.

There are frequent communications with ESDLife to discuss the possibility of allowing ticket sales in kiosks. Due to the limitation of current technology to satisfy all the requirements of URBTIX, no arrangements have be made to offer ticket sales in kiosks.

3.1.8   Future Plans

URBTIX does not have any plan to expand its geographic network of box offices currently. In order to be a box office, the outlet needs to satisfy at least 3 criteria:

1. There should be enough space for queue.

2.   There should be enough space for the putting up of the promotion materials.

3.   There should be safe area to put the cash register.

For expansion to the Pearl River Delta region, it is not being considered because the market base is not very significant due to the limited number of theatres for the performances. In comparison, Shanghai is the city with very rapid growth of the cultural and entertainment industries, however, the physical distances would hinder URBTIX's expansion to the city. Ultimately, it is the cost and benefits which will determine if new outlet is needed.

Some existing marketing activities such as the selling of souvenirs are responsible by the venues themselves. URBTIX is going to position itself simply as a ticketing agent and there is no plan to include the marketing business into its operations. There are multiple reasons behind this:

1.   Collecting customer information during the ticket selling period will lengthen the transaction time, and it is not a common practice in Hong Kong.

2.   The current system does not allow Chinese characters' entry.

3.   Due to the small size of the ticket, it may not be very effective to incorporate marketing information at the back of the ticket.

4.   URBTIX is acting as the centralized body to co-ordinate the ticketing selling activities for different organizers, it would be very difficult to decide how much marketing activities it should arranged for different organizers, or which activities to promote during ticket selling. Cross-selling is equally difficult due to the possibility of conflict of interests between different events.

5.   How to handle the revenue coming from marketing activities is another concern which affects URBTIX's decision to include marketing materials.

In Year 2000, LCSD has developed a plan to contract out its operations by phases. Phase I will be to outsource its backend system. A Request for Information (RFI) has already been sent which will be closed in January 2002. Phase II will be to outsource its front-end customer operations. The outsourcing will be conducted by phases because total outsource will be too risky to be conducted all at once. The bottom line is that the service level should be maintained no matter what happened to the system.

3.2   Ticketek Hong Kong

3.2.1   Overview

Ticketek Hong Kong was launched in September 2000, and is a 50:50 joint venture operation[1] between the Hong Kong Ticketing Alliance (a consortium comprising members associated with three of Hong Kong's premier venues - the Hong Kong Convention and Exhibition Center, the Society of the Academy for Performing Arts, the Hong Kong Arts Center) and Ticketek Pty Ltd (Australia and New Zealand's leading ticketing services company). Ticketek Pty Ltd was established in 1979 and was acquired by ecorp in May 1999. ecorp is a premier Australian-based Internet company with PBL (Publishing and Broadcasting Limited) as its biggest shareholder. PBL owns, operates and manages a diverse range of media, gaming, entertainment and e-commerce businesses and investments. Thus, Ticketek Hong Kong is supported by Ticketek's 20+years' expertise and technology.

3.2.2   Technical Architecture

The core of Ticketek Hong Kong's technical architecture is the Softix ticketing system. Softix originated from the United States in 1974 and is now fully owned by Ticketek Pty Ltd. Softix develops, installs and supports entertainment ticketing, reservation and access control software. Dual development and support centers in the US and Australia service clients throughout the Asia Pacific region and North America, who are primarily centered on major performing arts centers and large networked ticket agency operations.
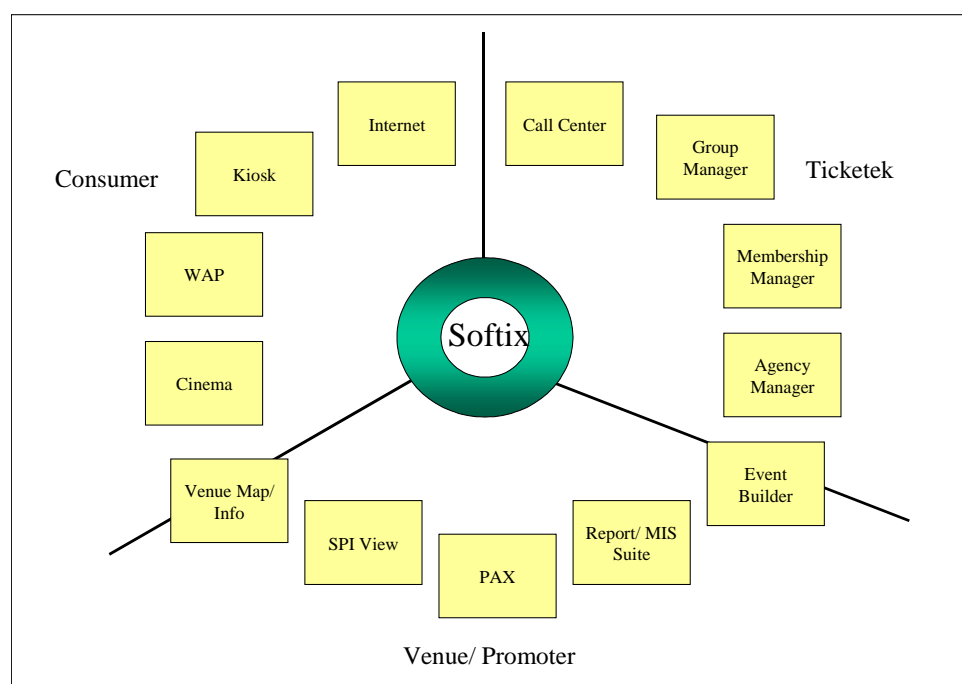
The Softix ticketing solution is compatible with Windows based PC environment, is simple to use and can handle up to 2,500 transactions per minute. The data transfer is through normal phone lines but the advance technology of Softix has made the rapid transfer possible. The system allows online, real time transactions, and the real time seats selection is planned to be rolled out in mid January, 2002. The system supports different types of sales channels including counter sales, telephone booking, Internet booking, kiosks, postal and fax bookings.

On top of the basic ticketing functionality, Softix also offers customer survey and data capture facility, as well as multiple marketing and event types for database reporting. It also handles the accounting

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[1] Source: Website of Ticketek Australia (Jan 2, 2002)

functionality such as the calculation of royalty for films. It is also fully scalable where the system offers unlimited network expansion and point of sale capability.

Softix also supports flexible ticket printing formats with full graphical image. This means, for example, different sets of tickets with diverse sponsorship or advertising information could be printed for the same program based on different ticket prices. The ticket printers are from BOCA which cost around USD1500 each.

Security is built to the ticket itself:
1. The ticket is printed by thermal printer thus it could not be photocopied
2. The Ticketek logo is protected by foil and is hard to reproduce
3. The ticket is printed dynamically to capture audit information such as when and where the ticket is purchased

The system is well maintained to allow 24 hours of system availability. Standard disaster recovery procedures is in place and back up site and shadow standby are available. The current loading is only 1/10 of Softix's capacity as Softix is developed on a 5 years cycle. To ensure minimal interruption to operation, a technical support team has been set up and is dedicated to handle all hardware, software and data communication issues that may arise within the Ticketek Network. A Technical Support Help Desk service is also available to offer first tier help over the phone.

3.2.3   Organization Structure

Ticketek Hong Kong is a lenient organization which comprises of 14 permanent staff in 4 teams supervised by a General Manager. It also manages 25 part time staffs who are responsible for ticket sales at the venue box offices.

Ticketek Hong Kong Organization Chart
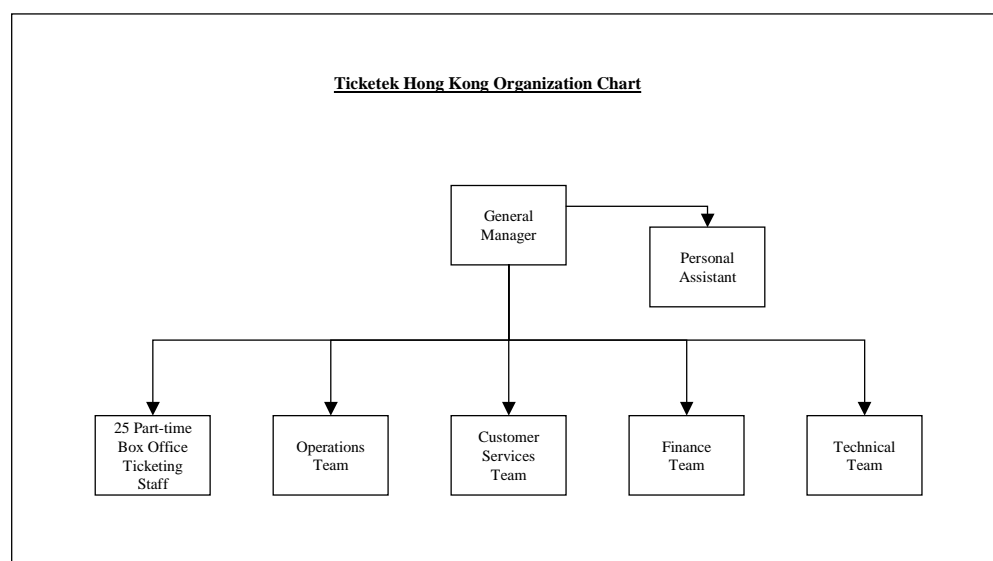
Operations Team:

This is the core team within the operations who work closely with the event organizers and venue operators. The team serves as account/ event managers who work against defined project plan, processes or milestones to help build the event into the system so that ticket selling can commence. The building of the event is a step by step process and checking and validation has been built into the system.

Customer Services Team:

This is the non-revenue generating but critical section who is responsible to provide quality services (e.g. handling enquires, complaints or refund, etc.) to customers from different sales channels.

Finance Team:

The major responsibility of the Finance team is to ensure sales are reconciled and banked into the account of the event organizer promptly.

Technical Team:

This is a 4 person team who provide 24*7 technical services. They are the system administrators who work closely with the Softix technical team in Australia and they are all very knowledgeable

3.2.4   Business Processes

The major difference of Ticketek Hong Kong's business processes is the addition step to "Generate Sales Lead". As a commercial ticketing agent, Ticketek Hong Kong is very proactive in soliciting qualified customers.

Generate Sales Lead	→	Pre Event Preparation	→	Ticket Selling	→	Post Sales Settlement
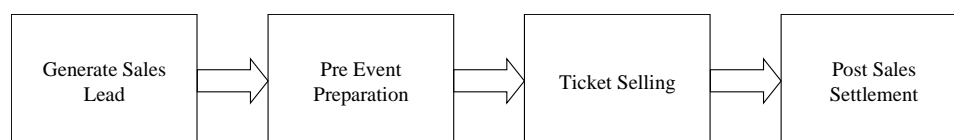
Generate Sales Lead:

Since Ticketek Hong Kong is commercially run, it would make sure profits could be earned before entering into agreement with event organizers. Exceptions will be for programs held in Hong Kong Arts Center and Hong Kong Academy for Performing Arts since it is bounded contractually for Ticketek Hong Kong to provide the ticketing services. Another exception will be for branding building where Ticketek Hong Kong would enter into ticketing agreement even if a loss is expected. Thus, Ticketek Hong Kong is very cautious in selecting its customers.

When the right customer has been identified, Ticketek Hong Kong will prepare a proposal for the event organizer to introduce its services in details. At the proposal stage, Ticketek Hong Kong will ask the event organizers a lot of questions to further understand the organizations so as to come up with the best deal with them. Depending on the nature of the show or the background of the event organizer, and even the economic situation and what other shows are on sale, Ticketek Hong Kong would offer different charges to the organizers. Ticketek Hong Kong will work very closely with the organizers to decide how to market and price the show and this is one of the value added services offered by Ticketek Hong Kong, and this is what make each deal unique.

Pre Event Preparation:

If Ticketek Hong Kong is chosen as the ticketing service provider, the event organizer has to fill in a New Event form and a business agreement has to be signed where all terms and conditions will be specified. Once all the show and prize details are confirmed, the operations team could start building the event information into the ticketing system for the ticket selling process to commence.

Ticket Selling:

Once the ticketing information is built into the ticketing system, the ticketing process will be managed automatically by the ticketing system. Section 3.2.5.1 below describes in details each of the sales channel that Ticketek Hong Kong offers. Common to a commercial agent, Ticketek Hong Kong is measuring its ticketing effectiveness against gross profit margin.

Post Sales Settlement:

The box income will be settled once the performance ends. Ticketek Hong Kong would not release the box income until the show is done mainly for two reasons:
1. In the case of event cancellation, Ticketek could quickly arrange the refund to the customers.
2. This could motivate the artist to come to the show since no income has been realized yet.

3.2.5   Service Offerings

Apart from basic ticket selling functions, Ticketek Hong Kong also offers free membership and promotion services. In addition, Ticketek Hong Kong offers a wide range of supporting services to venues, agencies and event organizers to ensure positive working relationships.

3.2.5.1   Ticket Sales

Ticket sales is the core service offering of Ticketek Hong Kong. This is actually a kind of inventory management where the business processes as well as the technology should make sure the ticket is appropriately priced, correct information is printed on the ticket and no double booking has occurred.

Convenience and efficient distribution is also a major area for ticket sales. Ticketek Hong Kong offers the following sales channels from which to purchase event tickets:
- Counter Sales
- Telephone Enquiry and Reservation
- On-line Internet Booking
- Kiosks
- Postal and Fax Booking

Counter Sales:

Ticketek Hong Kong's network of sales offices include all the Tom Lee Music retail outlets and the venue box offices including the Hong Kong Convention and Exhibition Center, Hong Kong Academy for Performing Arts, Hong Kong Arts Center and Fringe Club.

The relationship with Tom Lee is based on a revenue sharing model where Tom Lee will be paid a fee per ticket sold. Ticketek Hong Kong has provided the ticketing infrastructure and Tom Lee will pay for the staffs. Briefing sections and feedback sections for staffs are available to ensure high level of performance, which is proven by very low error rate at counter sales.

A research has been performed on customers' shopping behavior which shows that Tom Lee outlets are in fact very popular outlets for ticket sales. The research indicates that over 50% of Tom Lee's customers cited buying tickets at Tom Lee as habit, 20% indicated they would like to pay by cash (this payment method is only available at counter sales), and the rest gave the reason as convenient.

On top of Tom Lee retail outlets, venue box offices are also available for ticket sales. The venue box offices are manned by Ticketek Hong Kong's staffs who are on part-time bases.

Telephone Enquiry and Reservation:

Tickets can be purchased through the tri-lingual (Cantonese, Mandarin and English) Ticketek Booking Hotline 31 288 288, which opens daily from 9:00a.m. - 9:00p.m.. Although the seating plan cannot be visually available, the operators at the call center is trained to tell the customers where exactly are their seats. Telephone booking is a major sales channel in Hong Kong, however, the average call duration is 7 mins which is much higher than the 2.3 minutes in Australia. This is due to the purchasing habits of people in Hong Kong where a lot of questions would be asked during a transaction.

Ticketek Hong Kong has engaged PCCW to provide the telephone booking service. Ticketek is paying PCCW a fee per ticket sold. At the beginning of each shift, the operators will be briefed on new happenings, any changes to note, as well as a competency test which is videotaped to allow continuous improvement.

On-Line Internet Booking:

Despite the growing use of Internet, the rate of Internet booking varies a lot depending on the type of programs, and Internet booking could not be considered as a major sales channel yet. Ticketek Hong Kong offers online real-time bookings at www.ticketek.com.hk (bilingual) which was developed in Australia. When the event information is entered into the Softix system, the information will be updated automatically into the website. The ability for customers to select their own seats will be available on January 18, 2002. Customers have to first register as My Ticketek member in order to purchase tickets from the Ticketek site. Payment is by credit cards, and customers can select their preferred way of collecting the tickets where the collection methods offered will be based on the terms and conditions of the ticket type purchased. For example, General Admission tickets will not be mailed in standard mail as they cannot be voided if lost in the mail and therefore cannot be replaced.

Kiosks:

As the exclusive ticketing services provider for all ESDLife delivery channels, Ticketek's sales can be conducted through 100 self service ESDLife kiosks located at all MTR and KCR stations, major shopping malls and high traffic areas such as Park 'N Shop. The Kiosk network provides online real time ticket purchase with tickets printed immediately at the spot. However, customers could only select section of seats, but not the exact seats. In addition, tickets purchased via the telephone/ Internet booking services can be collected at the kiosks. Customers' only needs to insert their credit cards which are used to purchase the tickets and the tickets can be printed out.

Ticketek Hong Kong's relationship with ESDLife is also based on revenue sharing. ESDLife owns the kiosks network whereas Ticketek Hong Kong owns the ticket printers. The kiosks actually act as portal to Ticketek Hong Kong's Internet booking site.

Postal and Fax Booking:

Postal and fax booking is also available by mailing or faxing the booking form to Ticketek.

3.2.5.2   Free Membership Services

The online membership program offered by Ticketek Hong Kong, My Ticketek, was introduced to provide customers with additional services and more personalized communication. Since its inception, membership has grown exponentially to 53,000. The rate of growth, however, varies a lot depending on the marketing campaign. Member benefits include:

- purchase tickets online
- enjoy exclusive Ticketek Special Offers
- receive regular updates on upcoming events on sale

The membership service also serves as an effective tool to promote customer loyalty. The customer profiling performed by Ticketek Hong Kong has shown that about 10% of the total membership base are repeated customers (those who purchase tickets for more than 10 times in a year) and their channel of sales is by electronic media.

3.2.5.3   Marketing Functions

Marketing for the events still remain as a function for the event organizers. Ticketek Hong Kong, however, does offer value added service to the event organizers by providing marketing advices. Ticketek Hong Kong works closely with the event organizers to give advices such as how a marketing campaign should run, how the tickets should be priced, etc.. Ticketek Hong Kong also provides limited event promotion functions. If Ticketek is the agency for the event, then the event information will be available on its website. By joining "My Ticketek", a free membership service, Ticketek Hong Kong will provide regular updates on upcoming events on sale to its members. Also, the ticketing system allows the printing of advertising and promotion information on the tickets. The latest plan of

Ticketek Hong Kong is to introduce the SMS channel to provide event or sales information as existing infrastructure could be utilized.

3.2.5.4   Support Services

Ticketek offers a wide range of support services to event organizers to maintain a high service level.

Technical Support:

A Technical Support Help Desk has been set up and is available daily to assist venues and agencies throughout the network with any technical difficulties that they may encounter. About ninety percent of technical difficulties can be solved over the phone by the help desk staff. If the problem remains unresolved upon advice over the phone, on call technicians would also be available to handle problems on site. Event organizers also have access to the Technical Support Help Desk. Apart from the help desk services, however, a technician is always available to respond to event organizer's technical requirements to ensure a smooth delivery of service.

Event Support:

Ticketek Hong Kong provides a variety of services and support to the event organizers, venue and agency network all year around. Apart from building the event information into the system, Ticketek Hong Kong also offers advices to the event organizers on areas such as marketing campaigns, current ticket market situation, etc.. It also provides support for venues that do not have a Venue Service Manager, or after hours support for those that do.

Settlement:

The Finance and Administration teams are available to ensure sales are reconciled and banked into the account of the event organizer promptly.

Reporting:

Ticketek's system offers a number of online reports for the event organizers. The reports can be run on screen, exported as a text file, or be automatically emailed to the specified party on an hourly, daily, weekly or monthly basis. Currently, there are over 400 system reports being used daily around the world. If the existing reports cannot meet the requirements of the event organizer, Ticketek HK's development team can also help to develop and customize a report within couple weeks, by using a report writing tool known as SNAWK.

3.2.6   Financial Model

3.2.6.1   Revenue

Primary revenue is provided through the levying of service fees to the event organizers on each ticket sold, with the fee per ticket depending on the tickets' "face value". Since each business deal is unique, the price structure will vary. The following table shows an example of the detailed ticket charges structure quoted for one of Ticketek Hong Kong's potential customer.

Ticket Price	HK$/ Ticket
complimentary or zero priced ticket	HK$1.00, to a maximum of 10% of available tickets
HK$100 or Less	HK$5.50
HK$100 – HK$200	HK$7.00
HK$250 or More	HK$8.50

The quoted credit card commission is 2.6% for VISA and MASTER and 3.0% for American Express, Diners and JCB.

For the customers, they have to pay for the service fees or handling fees. Except for the purchase of tickets at the Box Office of the performing venue where no service fee will be charged, customers buying tickets through the Ticketek HK network will be charged a service fee as listed in the table below.

Location	HK$/ Ticket
Call Center	HK$8.00
Internet	HK$5.00
Kiosk	HK$5.00
Retail Outlet	HK$2.00
Box Office	HK$2.00

If customers decide to have their tickets delivered to them via mail or courier, a handling fee will be applied as listed in the table below. This is additional revenue to Ticketek Hong Kong to cover the cost of mailing and dispatch of tickets.

Delivery Method	HK$/ Transaction
Standard Mail – HK	HK$5.00
Registered Mailed – HK	HK$20.00
Courier – HK	HK$50.00
Courier – Macau	HK$80.00
Courier – Outlying Islands	HK$80.00
Courier – International	HK$200.00

3.2.6.2 Costs

The cost of sale for Ticketek Hong Kong is high but the fixed cost is relatively low, which only accounts for one-third of the total operating costs. Ticketek Hong Kong's strategy is to keep the operating costs as low as possible, so that the profit curve could be steep after a minimum threshold is achieved.

3.2.6.3 Profits and Loss

The breakeven point for Ticketek Hong Kong is around 1,250,000 tickets sold. The transaction volume for the programs held at the three premier venues under the Hong Kong Ticketing Alliance is around 1,000,000 tickets, together with tickets sold for other venues or programs, Ticketek Hong Kong is estimated to be commercially viable.

3.2.7 Relationship with other Ticketing Operators/ Networks/ Sales Channel

Ticketek Hong Kong operates around an outsourcing model. As discussed earlier in section 3.2.5.1, URBTIX is utilizing Tom Lee's retail outlets to provide counter sales service. It is also partnering with PCCW to provide telephone booking service. At the same time, it has formed a Strategic Alliance with ESDLife (www.esdlife.com) to be the exclusive ticketing services provider for all ESDLife delivery channels. ESDLife is a portal that delivers online government and personal services which is offered by ESD Services Limited, an e-commerce operation of Hutchison Whampoa Limited, a joint venture between Hutchison Whampoa Limited, Asia Global Crossing and Compaq Computer Limited. All these partnerships are based on revenue sharing and details on their operating models can be found in section 3.2.5.1.

Since Ticketek Hong Kong is a joint venture between the Hong Kong Ticketing Alliance and Ticketek Pty Ltd, the ticketing operation also maintains strong relations with the venues. On top of providing ticketing services for the programs held at the venues, the system also offers additional functionality to allow course registrations for the continue education sections of the Hong Kong Academy for Performing Arts. Apart from being the exclusive ticketing operators for the three venues under the

Hong Kong Ticketing Alliance, Ticketek Hong Kong is also the exclusive ticketing operator for Springtime Productions.

3.2.8   Future Plans

The latest plan of Ticketek Hong Kong is to include SMS channel to deliver events and sales information to its members. Another major plan is to move more of its customers to the Internet booking channel. The Internet booking services, which has not be outsourced to other company, has proved to be the most profitable distribution channel. To better utilize the Internet sales channels, additional links are going to be built from the website of Hong Kong Academy for Performing Arts (HKAPA) to the website of Ticketek Hong Kong, to facilitate ticket purchase after reading event information on the HKAPA site.

3.3 CityLine (Hong Kong) Ltd.

3.3.1 Overview

CityLine (Hong Kong) Ltd. offers an automated telephone and online ticketing system which was launched in 1993. It started as a system to handle ticketing activities for moviegoers, but has eventually emerged to handle ticketing for cultural shows as well.

3.3.2 Technical Architecture

CityLine's ticketing system is called Universal Ticketing System (UTS). It is developed in-house about 2 years ago to offer automated telephone and online ticketing services for both movie and event tickets. The UTS is a localized and open system which runs on UNIX platform. It is using Oracle 8i as its database. The development platform is JAVA J2EE where some low-end programming is using PASCAL. Two HP 9000 UNIX servers are used for the Oracle database whereas the front end presentation is utilizing Linux server. There are also several other application servers which are developed in-house.

Different ticketing printers are used to produce tickets for different programs. For example, BOCA is used to print URBTIX tickets, Star for tickets printed out from the ticket dispensing machines and EPSON embedded ticketing printer for box offices at Cine-Art. The ticketing network is connected through TCP/IP using T1 leased line as well as ATM network.

Some major system functionality of UTS include:

- Support multiple language
- Support graphical layout on screens and on tickets
- Allow real time exact seat selection
- Shopping carts which allow the purchase of tickets at different prices or with different discounts
- Support marketing activity such as special offers for bulk purchase
- Event or movie information entered into the system can be updated automatically to the web
- CRM architecture to track transaction history and other customer information
- A payment gateway which can process 100 credit card transactions simultaneously
- Intranet services for event organizers to monitor ticket sales on-line

UTS is highly scalable but the hardware such as the database and bandwidth have to scale up as well. Currently, the bandwidth is the major system constraint for UTS despite the fact that its capacity has just been doubled recently. At the moment, the UNIX server can support 100 terminals and database update can usually be performed in 1-2 seconds, guaranteed within 4 seconds.

Multiple sales channels are supported by the system including Interactive Voice Response System (IVRS), Web Access Protocol (WAP), Call Center, Internet, as well as Power Phones located at MTR/ KCR stations and other major shopping malls.

UTS is supported by an in-house technical team (section 3.3.3). Vendor support is also available for the Oracle database, the web server, as well as the network connection. Currently, there is no definite plan for upgrading the system. The availability of the system is above 99%. A software named MC Service Guard has been purchased to provide the fail-over platform. Near real-time (about 1 minute) data replication is available, and the Oracle database also allows roll back of transaction data to minimize data loss in case of major breakdown. A scheduler program has been developed for standard housekeeping and back up activities.
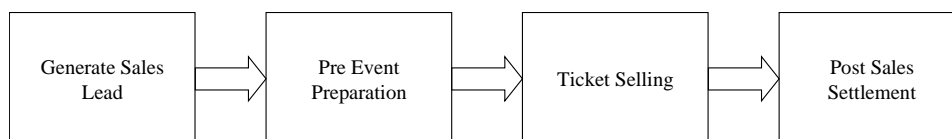
3.3.3 Organization Structure

CityLine (Hong Kong) Ltd. is owned by Hong Kong-based Lark International Entertainment, and its organization chart is presented below:

CityLine Organization Chart
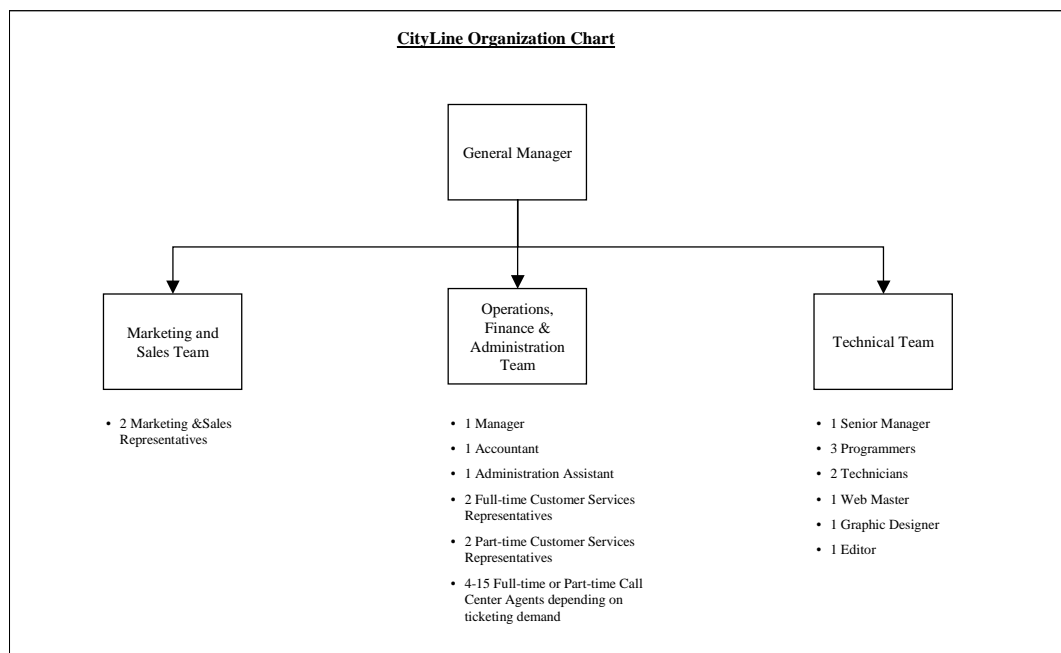
3.3.4 Business Processes

CityLine follows a standard ticket selling business process.

Generate Sales Lead:

For CityLine, each business deal is unique. All business arrangement will be negotiated on event basis.

Pre Event Preparation:

In order for CityLine to commence ticket sale, the event organizer has to fill in a form to provide all the ticketing information such as the seating plan, the ticket prices, etc.. This information will then be built into the ticketing system and updated to the sales channel such as the IVRS and Web.

Ticket Selling:

Once the ticketing information is built into the ticketing system, the ticketing process will be managed automatically by it. Section 3.3.5.1 below describes in details each of the ticketing channel offered by CityLine. Demands for movie tickets are pretty stable, peaks will usually occur during holiday seasons. Demands for event ticket are more irregular depending on the events schedule. During the ticket sales period, both hardcopy and softcopy of daily sales report are available for event organizers.

Post Sales Settlement:

Weekly imbursement of ticketing income can be arranged to event organizers.

3.3.5 Service Offerings

CityLine offers ticket sales, membership services, as well as marketing and promotion services.

3.3.5.1   Ticket Sales

CityLine movie tickets are widely available in Hong Kong. Apart from UA theatres, CityLine systems are also used at Cine-Art and the movie theatre at Cityplaza, Hong Kong. Customers can purchase up to 9 tickets for each transaction and 12 tickets with each credit card. Some ticket types are currently not available through CityLine services and they include discount child, student, senior citizen, as well as normal couple seats tickets. CityLine tickets can be purchased in one of the following ways:
- Telephone Enquiry and Reservation
- On-line Internet Booking
- Power Phone which are widely available at MTR/KCR stations and major malls
- Postal and Mail Booking is also easily customizable if requested by event organizers

All tickets sold are non-refundable and non-exchangeable, cancellation will not be accepted after transaction is confirmed.

Telephone Enquiry and Reservation:

Through the telephone hotline 2317-6666, CityLine offers a voice response interface to provide event information. Additionally, CityLine customers can call the same number to make a reservation for movie or event ticket which is available from 6:30a.m. - 11:30p.m. everyday. Customers can use their credit card for payment and the tickets can then be picked up from CityLine's Ticket Dispensing Machine at the show venue. Collection of tickets through mails is also available. Average call volume is around 30,000 calls per week, with peak reaching 80,000 calls a week. Average call duration is about 4-5 minutes depending on the experience of the users. For example, frequent IVRS users can quickly select the right options without going through all the available choices at the voice prompts and this could greatly reduce the transaction time.

On-Line Internet Booking:

In 1997, the CityLine online service was launched. Customers can access CityLine's on-line site, cityline.com.hk, for movie previews, schedules, locations, as well as event information. To buy a ticket, however, customers need to register as a member. When buying a ticket through CityLine's on-line site, the system allows users to select their exact seats just as if they were at the box office. Same as telephone reservation, payment is by credit card and tickets can be collected on site using the ticket dispensing machines or through mail. Starting from 6 June, 2000, tickets for selected URBTIX events can also be purchased through CityLine's internet site. Please refer to section 3.1.5.1 above for details on the operating model. Since the launch of the service, Internet booking has quickly become the most popular channel for CityLine.
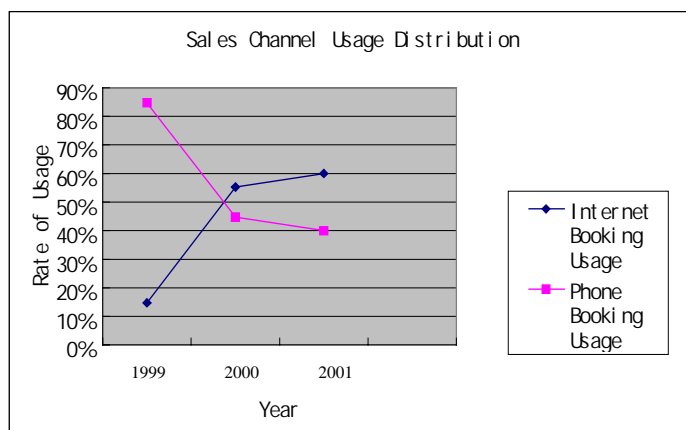
3.3.5.2   Membership Services

Customers have to register as CityLine members in order to enjoy many of its membership services:

- Purchase tickets online

- Free wallpaper download services
- Enjoy exclusive giveaways and member benefits
- Exchange opinions on movies through on-line message board
- Access to trailers and film critics

Currently, CityLine has 500,000 registered members where 300,000 are registered through the Web. Most of the registered members are Hong Kong residents. Basic customer profile such as birthday, gender, etc. are tracked. All customers' transaction histories are also captured.

3.3.5.3   Marketing Functions

CityLine publishes a newsletter which includes information for the latest movie & event releases. Currently, around 250,000 customers have subscribed to this newsletter which is delivered via email.

In addition, some advertising packages are offered to event organizers. An example is direct marketing utilizing customer information from the membership database. This has proved to be a more effective marketing tool when compared to mass advertising on Web. Advertisements can also be broadcasted through the IVRS. When CityLine is partnering with other merchants to offer various membership benefits, CityLine is also helping the merchants to advertise and thus a significant advertising income can be earned. However, CityLine is carefully controlling the amount of advertisements on Web so that the ticket transaction function would not be outweighed by the advertisements.

3.3.6   Financial Model

3.3.6.1   Revenue

CityLine does not share any ticket revenue from their cinema partners and service charges have to be levied to cover some of the operating costs. The service charges for movie tickets ranged from $7.50 to $9.50 depending on the movie locations. The current transaction volume through CityLine (i.e., not including ticket sales at movie theatres) is around 1,000,000 tickets sold per year where majority are movie tickets. The service charges for URBTIX events are determined by URBTIX and details can be found in section 3.1.5.1 above. On top of ticketing revenue, CityLine also earns revenue from providing advertising services (refer to section 3.3.5.3).

3.3.6.2   Costs

The operating costs of CityLine is pretty significant. One of the major costs components would be the development and maintenance costs of the ticketing system, which is built and maintained in house. Another cost that is absorbed by CityLine is the commissions to the credit card companies.

3.3.6.3   Profits and Loss

Since CityLine is run as a separate entity which does not share the ticket revenues from its cinema arm, but at the same time has to absorb the huge system costs alone, its financial position is estimated to be pretty weak.

3.3.7   Relationship with other Ticketing Operators/ Networks/ Sales Channel

CityLine has been engaged by URBTIX to provide both the Credit Card Phone Orders and On-Line Internet Booking services. Please refer to section 3.1.5.1 above for detailed information.

CityLine also has arrangements with different merchants to offer more benefits for its members. For example, it has secured from many restaurants to offer money-saving restaurant benefits.

3.3.8   Future Plans

CityLine is currently looking at the feasibility of scaling up their ticket dispensing machines into ticket selling kiosks, which will also be developed in-house. Increasing the market shares within the event ticketing market will be a focus of CityLine, however, it will not enter into the market aggressively until the event ticketing platform has been further enhanced where more service offerings can be presented to event organizers. An example would be the enhancement of the Intranet function to allow the event organizers to schedule the ticket sale, or to reserve and release the consignment tickets, etc..

4 Summary of recommendations for Upgrading URBTIX system with added values in Arts Promotion

This section is divided into two main areas. The first half, section 4.1, discusses how the e-business technologies can be applied in promoting arts in HK. In addition, the URBTIX system may be linked with the new e-business platform to provide a total, integrated marketing and sales channel of Arts in Hong Kong.

The objectives of the value-added services are:

- Promotion of arts in HK to HK citizens and foreigners
- Increase the accessibility to arts and ticket sales information
- Increase the number of patrons attending arts performance and events
- Reduce the costs of sale
- Generate more revenue from arts spending, such that the profit can be re-invested to promote more arts events

4.1 Value-added Services

4.1.1 Creation of Arts portal for Hong Kong

The Internet becomes the most popular place where people will search for information, purchase goods and collaborate with each other. It will be highly valuable for ADC to host the HK Arts Portal, which will be the central hub of all HK arts activities.

The Portal will provide the following services:

- Consolidate all art activities, events, news and information
- Provide membership system where arts goers, performers, critics, etc., can register and enjoy the services
- Personalized services to members, such as customize their favorite arts, get email/SMS notification, receive news letters, get discounts on tickets, premier seating, etc.
- Chat room for art discussion
- Ticket selling and tracking in the event of show-cancellation, reschedule, ticket loss, etc.. The event organizer can notify them
- Selling merchandise
- Business intelligence – The integration of membership system and ticketing selling system allows ADC to analyze many arts trend and statistical data. The data is useful for the promotion of arts in HK

The portal should partner/ally/liaise/cooperate with other web sites to increase the awareness of Arts Portal. For example, a banner can be added to the HK Government and ESDLife web site.

Another way to increase awareness and accessibility is to register the web site with popular search engines.

4.1.2 Mobile Commerce

The mobile phone usage per capita in HK is one of the highest in the World. Leveraging this channel correctly will be highly effective.

4.1.2.1 *Advertising and Promotion*

There are many ways to utilize mobile devices to promote:

- ADC can send short message (SMS) to inform its members about the upcoming events.
- ADC can make use of the location-based service to push information to the pubic when they are near the selective venues (like City Hall). For example, when a user is in/near City Hall, he may get a short message informing him that the art event is being shown in City Hall.
- When foreigners arrive to HK and have mobile roaming service, they can receive SMS messages about latest art events.
- Interactive SMS – ADC can arrange some mobile interactive query to prompt the users to participate in some arts events.

4.1.2.2 *Ticketing Transaction*

Technically, it is feasible to utilize WAP technology to let mobile WAP phone users to book tickets via the phone. However, due to the complexity of a ticket-purchase transaction, (too many steps), it may be impractical to conduct a ticketing transaction via a WAP service.

Example of WAP-based transaction

       1) Select By Category (Concert, Opera, ...)
          => Opera
       2) By Shows (Phantom of the Opera, ...)
          => Phantom of the Opera
       3) By Location (Culture Center, Hong Kong Coliseum, ...)
          => Culture Center
       4) By Date (Oct 5, Oct 6, ...)
          => Oct 5
       5) By Time (20:00, 21:00, ...)
          => 20:00
       6) Input Number of Seas
          => 2
       7) By Prices ($100, $200, ...)
          => $100
       8) By Sections (A, B, C, D) --> Better to have at least graphical images (presented by text or simple WBMP)
          => A
       9) By Left, Center, Right --> Better to have at least graphical images (presented by text or simple WBMP)
          => Center
      10) Please confirm the seats of Section A, E17, E18
          => Yes
      11) Do you want to choose different box office for picking up the tickets?
          => No (pick up the tickets at the default location of the show)
          => Yes (go to 11.a)

         11.a)   Choose Location for Pickup (Hong Kong , Kowloon, N.T.)
           => Hong Kong
         11.b)   Choose distinct (Causeway Bay, WanChai, ...)
           => Causeway Bay

= Payment Flows Start =
12) Credit Cards (VISA/MC), Direct Debit, Octopus Card
:
:
= Payment Flows End =

13) Confirmation of the Selection.

Phantom of the Opera
Culture Center
20:00, Oct 5, 2001

2 x $100-Section A, E17, E18
Paid by: VISA, 1111 2222 3333 4444
Thank you for purchasing! Enjoy!

4.1.3   Kiosk

Kiosks may be installed at points of convenience (MTR and KCR stations, convenience stores, supermarkets and big shopping malls) to increase the accessibility of ticket sales.

Services provided by the kiosk include:

- Information desk
- Ticket purchase
- Ticket printing and pick-up service
- Ticket cancellation/re-issue (in case of lost ticket)

Benefits of kiosks:

- Lower the cost of sales (a real case example will be the installation of ESDLife kiosk at the Hong Kong Academy for Performing Arts – The opening hour of the box office at HKAPA can be rescheduled to noon because it was found that the ticketing demand before noon is very low, and more importantly, the ticketing demand could be fulfilled by the kiosk.)
- Increase coverage
- Increase awareness of ADC

4.1.4   Value-added ticket coupon

With the advancement of ticket printing and IT technology, it is now possible to conduct a lot of value-added services on a simple cardboard, namely the ticket itself.

Attachment of value-added coupon
It is feasible to attach a coupon to the ticket. The nature of the coupon can be dynamically generated based on ticket type or the event. It is one of the best ways to cross-sell products.

Example 1
An Arts Center Café discount coupon is attached to an Arts Center hosted event.

Example 2
Redemption coupon for a series of events. If the customer accumulated a certain number of coupons, he is entitled to a free ticket.

Example 3
A lucky draw coupon, partly to promote arts and at the same time, can capture customer information.

Advertisement printing
It is feasible to print any promotional messages, dynamically based on the ticket type and event. It ensures that the right message is delivered to the right customers. Thus, it will help the event organizers to generate more awareness and cross-sell more goods. At the same time, this could attract more sponsors for arts event and this will in turn favor the development of arts and cultural activities.

Emotional attachment
Sometimes event-goers have special emotional attachment to events. The events may be memorable ones. It may be a once-in-a-lifetime concert; a wedding anniversary celebration; a first date, etc.. A nicely printed ticket may one day become a collector's item.

5 Assessment of URBTIX system

In this section, an assessment is conducted to discuss the strengths of URBTIX system. At the same time, a gap analysis is performed to assess how far URBTIX is from the best-of-breed ticketing system that is most suitable for the ticket market now and in the future, especially in terms of whether the system is ready to offer the value added services as recommended in section 4.

5.1 Technical Architecture

URBTIX has been in use for almost 20 years and its efficiency and effectiveness has been well recognized by both the users and end customers. URBTIX is also a relatively simple system to use. A half-day training is already adequate to train up a new sales agent to use the system. Remote access to the URBTIX system is available and thus URBTIX is well supported.

However, given the rapid growth in technology, URBTIX can no longer capture the latest technical capability. Being a closed system is one of the biggest gaps that URBTIX needs to bridge. As stated in a featured article published on TicketLife[2], a ticketing industry community online, the affect of technology is immeasurable from the use of Internet as a customer relations' tool to managing workforce databases to venue construction projects. Technology can improve customer relations, reduce the workload and impact the bottom line. Thus, it is important for ticketing professionals to keep up with the technology race in order to analyze and quickly react to the ever-changing market conditions. Being a closed system, however, would make it very difficult and expensive to maintain or upgrade the system to offer advance technology to meet the requirements of the changing market.

In the case of URBTIX, for example, not being able to upgrade the system quickly will hinder URBTIX's ability to offer the follow functions that are currently not available but would be required to satisfy the future ticketing market:
- User-friendly interface for easier ticketing transactions
- Chinese characters entry and display
- Floor plan display within one screen
- Adequate capacity and added flexibility to handle ticketing demands, e.g. allow ticket sale earlier in advance, release restrictions on the number of consignment tickets printed per day
- Quickly produced and user-friendly reports which can be available electronically
- On-line Internet booking which is fully integrated with the ticketing system and allows real time seat selection and allocation
- Flexible ticket printing with graphic displays

Another gap that URBTIX will need to close is its inability to capture customer information through the ticketing activities. A database of customer information would be very helpful to identify the right audiences for the future shows or events to be organized, and thus provides great potential for the promotion of Arts.

Therefore, in order to capture the latest technology to better serve the market, URBTIX should move to a more open system environment that allows better integrations with other systems or applications.

5.2 Organization Structure

The URBTIX ticketing staffs are all well trained with the system and they could perform the ticketing transactions very efficiently. However, they are comparatively weak in terms of providing event information. Event information will be provided to the ticketing staff during Customer Service Meeting. Around six customer service meetings are held per year to discuss operations experience and identify improvement areas, as well as to brief the ticketing staff on major events. Therefore, the ticketing staff are not briefed on all programs. In order to enhance customer satisfaction, URBTIX's

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[2] Source: www.ticketlife.com

organization model should ensure adequate training or performance enhancement tools are offered to the staffs.

URBTIX's performance management model is another potential area for change. Currently, 20 of the ticketing staff are recruited and trained by URBTIX but are supervised by venue management on daily operations basis. As the ticketing staffs are the first line to face the customers, their service level would directly affect customers' purchase experiences. Thus, to maintain a high level of customer service, URBTIX should work very closely with venue management to make sure all ticketing staffs are maintaining high performance level and delivering good customer services. At the same time, URBTIX should work with venue management to study the pattern of customers' demand for tickets, and make sure enough ticketing staffs and ticketing terminals are available on site.

In addition to providing good services to end customers, URBTIX should be organized in a way to maximize its support for event organizers. During different stages of the ticketing cycle, URBTIX should ensure adequate support is given to all event organizers so that all ticketing activities could be successfully conducted. Since most of the events are held out of office hours or on Sundays or public holidays, URBTIX should also make sure support is available to answer and handle urgent requests.

The current level of support is also a result of the existing organization culture. As a major ticketing operator in Hong Kong with exclusive ticketing rights to most of the cultural venues, URBTIX has nurture a reactive kind of organization culture. This has discouraged accountability, innovation, as well as hindered motivation to change. To become more competitive in the open market, URBTIX should review the positioning of the ticketing office, as well as its organization culture.

As over 70% of the operating costs go to staffs compensation, the optimal organization size and compensation model could be further reviewed to identify improvement opportunities.

5.3   Business Processes

The processes of organizing ticket sales with URBTIX is well established and it has been running smoothly and efficiently. The table below indicates how well URBTIX is in fulfilling some of its performance metrics in Year 2000[3]:

Type of Service	Target	Achievement	Reasons for not being able to achieve Target
Sale of Tickets at Box Office	To serve customers within 25 minutes except during rush periods when counter ticket sales begin for popular events and major festivals, and to supply a ticket within 4 minutes	99.4%	Customers may take more than 4 minutes to enquire about multiple programs and performances information, especially for those popular series. Tickets could only be issued after confirmation by patrons and it will take around 1 minute from confirmation to issue.
Telephone Reservation and Enquiry Services	To serve customers within 5 minutes except during peak hours (10:00am – 11:00am and 12:30pm – 2:00pm)	99%	Normal fluctuation in telephone traffic may create sporadic "peaks" of incoming calls which adversely affects the ticketing office's ability to handle the calls.
Telephone Booking Services	To post the tickets by the next working day to registered patrons using the service	100%	
Postal bookings	To post the tickets within 5	99.6%	A few problematic postal

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[3] Source: LCSD's Annual Report (2000)

processed by URBTIX	working days after the closing date		booking forms (e.g., incomplete information, illegible handwritings of essential booking details, etc.) might arise for last minute bookings that would take time to follow-up with customers for further processing.

There are, however, still some areas for further improvement. First of all, although the application form for the utilization of URBTIX services is very simple for frequent users, it is complicated for first time users especially regarding the calculation of ticket charges. A better process could be established to facilitate the new users in filling up the forms.

The process to handle customer enquiries can also been enhanced. Currently, URBTIX staffs are not equipped with event knowledge and often they could not answer the event enquiries from customers during ticket sales. Thus, customers have to turn to event organizers for event enquiries and come back to URBTIX for ticket sales. Sometimes, customers would call the event organizers for ticket bookings only to realize they have gone to a wrong place. This will greatly hinder customer satisfaction and certainly is a gap to bridge.

Then, the arrangement for the printing of consignment tickets still requires great manual efforts and interventions. Event organizers have to call the ticketing office everytime when consignment tickets are needed. The ticketing office would fulfill the request either entirely or partially depending on system capacity. In cases where the request can only be partially fulfill, other arrangements have to be made. Streamlining this process would definitely ease the workload of the ticketing office, as well as reduce the administrative tasks of the event organizer.

Finally, the monitoring of ticket sales during the sales period also requires great coordination between the event organizers and the ticketing office. Sales monitoring and reporting is a very important part of the ticketing processes since the sales performance could indicate if additional promotion efforts are required. Automating this sales monitoring and reporting activity would definitely improve the efficiency of the ticketing processes.

5.4   Service Offerings

URBTIX has got a rather comprehensive network coverage in terms of ticket sales. Except for sales through kiosks, where Ticketek Hong Kong has been granted the right as the exclusive commercial ticket service provider, URBTIX offers the rest of the sales channels that are currently available. However, the point to note is that for the two growing sales channels, Internet booking and phone booking, they are both run by commercial agents under contractual agreement instead of managed by URBTIX itself. This might be a good solution in the short run to offer new sales channels without huge investments, but it might not be the best solution in the long run in terms of the service being offered, costs and controls. Also, the Internet, Postal and Fax booking services are also available for selected programs.

In addition, URBTIX does not offer any value added services which could naturally go in line with ticket sales. This could be a big area for change. In order to better achieve the missions to promote arts and cultural events, URBTIX should seriously consider expanding its scope of service offerings to include membership services and promotion services. For example, to provide regular event updates and sales information to frequent event goers. Details on the recommendations over these service offerings could be found in section 4 above.

5.5   Financial Model

As a government body, URBTIX is keeping its ticket charges as well as service charges to customers at a relatively low price. Subsidy of up to 65% is also being given to newly established or non-profitable

cultural organizations for promotion of arts. Although URBTIX has set the ticket charge based on full cost recovery approach, the revenue that was earned in these years may not be able to fully cover the costs. Some of the reasons contributing to this have been analyzed in section 3.1.6.3 above. In order to achieve accounting balance and to be an economically viable government unit, URBTIX should review its financial model to identify if there is any opportunity to increase revenue or to minimize operation costs, but not at the expense of customers' benefits.

5.6   Summary of Gap Analysis

To conclude, URBTIX could be considered as a pretty effective system to handle the ticketing demands for today. However, in order to fulfill the requirements of the ticketing market in the future, URBTIX should definitely opt for a major system upgrade. At the same time, URBTIX has always positioned itself as a pure ticketing engine and it did not offer any value added services to the event organizers in terms of event promotion or marketing, and many useful ticketing data which could be valuable for the promotion of arts has been lost. These would be some other major gaps that URBTIX should bridge.

6 Competitive analysis of ticketing operators and relationship

In this section, a competitive analysis would be performed to analyze the three major ticketing operators in Hong Kong, namely, URBTIX, Ticketek Hong Kong and CityLine. The analysis would be focused on the following areas:

- Business nature
- Years of service
- Market position
- Technical
- Efficiency
- Coverage
- Financial position

6.1 Business Nature

Although the three players are all very active in the ticketing market, the market niches are not the same. Both URBTIX and Ticketek Hong Kong focus on ticketing for life events, whereas CityLine focuses on ticketing for movies. At the same time, URBTIX is managed by a government office whereas the other two are run commercially. This greatly affects the operation strategy, the service offerings, and the financial model of the three operators. For example, as a government body, URBTIX would be more willing to subsidize the less or non profitable arts organization for the benefits of promoting arts for the Hong Kong community. At the same time, it would keep the ticketing charges and service fees to a lower price. These would not be possible for commercial agents who need to make sure the business model is commercial viable and need to safeguard shares holders' interests at the expenses of customers'.

6.2 Years of Service

Among the three ticketing operators in Hong Kong, URBTIX has the longest history of establishment. The system was sourced in 1984 and is approaching its 20 years of services now. Therefore, the URBTIX's brand name as the ticketing operator for cultural and life events is well established among the Hong Kong people. The youngest player is Ticketek Hong Kong who was introduced to Hong Kong in 2000. Although Ticketek Hong Kong is very new to the Hong Kong market, its parent company, Ticketek, is a well-developed ticketing company in Australia whose establishment can be dated back to 1979. The system that is used by Ticketek Hong Kong, Softix, has also been developed for about 20 years. In addition, it has also made a very successful entry by partnering with the Hong Kong Ticketing Alliance. In the middle is CityLine which was introduced in 1993. Although the Hong Kong people may be familiar with the CityLine brand name, it is more associated with movie tickets instead of life event tickets.

6.3 Market Position

URBTIX still maintains a leading position in the ticketing market of Hong Kong. As the exclusive ticketing service provider for most of the cultural venues in Hong Kong, URBTIX can secure a significant market shares. Although URBTIX has opened some of the venues to other competitors, the terms and conditions of using ticketing services provided by URBTIX and other operators are not the same. For example, the additional commission to the venues, which accounts for 20% of the estimated ticket revenues, will only be settled and deducted from the box office income after the performance if URBTIX is engaged, but it will be collected in advance when other operators are engaged. This would create a cash flow problem for event organizers and would discourage them from engaging other ticketing operators.

To secure a market place in the highly dominant ticketing market in Hong Kong, Ticketek Hong Kong has entered into agreement with the Hong Kong Ticketing Alliance to be the exclusive ticketing

operator for programs held in all show venues under the alliance. It is also the exclusive ticketing operators for Springtime productions. Through these contractual arrangements, Ticketek Hong Kong has achieved a transaction volume of over 1,000,000 tickets a year, as compared to the 3,559,000 tickets sold by URBTIX last year.

CityLine started up as a movie ticket booking system and has strong relationship with cinemas, thus, majority of the tickets sold by CityLine are movie tickets and its representation in the life events market is very small.

6.4   Technical

Both URBTIX and Ticketek Hong Kong are utilizing world class ticketing software, namely BOCS and Softix. The BOCS system used by URBTIX, however, has not been upgraded for a few years and it lacks some major functionality to meet the ticketing challenges of today. The Softix system which is used by Ticketek Hong Kong, is owned and developed by Ticketek Pte Ltd.. Therefore, Ticketek Hong Kong has closer assess to an advanced system which offers enhanced ticketing features. Below is a list of system features which are available for Ticketek Hong Kong, but not for URBTIX:

- Sales report which can be generated and distributed to relevant parties daily through email
- On-line Internet booking which is fully integrated with the ticketing system and allows real time seat selection and allocation (new feature to be available in early 2002)
- Flexible and dynamic ticket printing with graphic displays
- Validation mechanism to avoid double booking
- Flexibility to handle ticket sales early in advance and to configure specific ticketing package (e.g. family package) with different price schemes to meet the market situations
- Membership database which creates potential for direct marketing

Same as Ticketek Hong Kong, CityLine also owns and develops its own ticketing system, UTS. However, the system is only being used by CityLine, whereas for the case of Ticketek, the system is sold to other ticketing operators under the brand name Softix. Hence, the maintenance cost of CityLine ticketing software is higher. In terms of system functionality, CityLine's can be comparable to Ticketek's. In fact, the exact seat allocation function is already available at CityLine where Ticketek's is soon to be rolled out.

6.5   Efficiency

There is no direct performance metrics available to compare the efficiency of the different ticketing systems. However, based on user comments, both URBTIX and Ticketek Hong Kong could be considered as efficient life event ticketing service providers (CityLine has been excluded here since its focus is on movie tickets sales.). Given the availability of advance technology for Ticketek Hong Kong, it should be the more efficient system among the two. For example, the sales report can be produced daily and available electronically for Ticketek Hong Kong, whereas URBTIX still needs to print out and fax the sales report to event organizers. Also, it takes about three weeks for URBTIX to settle the box office income due to the additional steps to go through the Treasury. Although not very often, double booking cases still happens for URBTIX especially in the process of re-sale tickets. Finally, it takes a much longer time for URBTIX to set up different pricing packages for its tickets. Therefore, Ticketek Hong Kong is a more efficient system among the two.

6.6   Coverage

As the most established ticketing operator in Hong Kong, URBTIX also owns the most comprehensive network of distribution outlets among the three operators. On top of the Tom Lee retails outlets which are also selling tickets for Ticketek Hong Kong, URBTIX also has access to all the box offices for the show venues under LCSD. This has given URBTIX a major advantage over the other ticketing operators since this is the channel where most of the target audience (events goers) can be reached. At

the same time, the promotional items for the cultural events are also available in these venues which could generate more ticketing demands for the box offices there.

Ticketek Hong Kong, on the other hand, is catching up very quickly. Since distribution network is critical to the success of ticketing operators, Ticketek Hong Kong has successfully formed a strategic alliance with ESDLife to be the exclusive ticketing service provider. At the same time, it is partnering with Tom Lee and PCCW to offer the counter sales and telephone booking services respectively. Ticket purchases through Internet, fax or mail are available for all kind of programs and this has marked another advantage over URBTIX where these channels are only offered to selected programs.

CityLine has a well-established network for movie ticket sale but its distribution network for life event tickets is very insignificant. For example, it does not have any retail outlets or venue box offices for event ticket sale. Kiosk is also not within CityLine's distribution network.

6.7 Financial Position

The exact financial standings of the various ticketing operators are not available. However, based on the information collected thus far, Ticketek Hong Kong should be the most outstanding among the three. Although URBTIX has received the largest amount of revenues, it might not be able to cover its operating expenses and the reasons accounting for this have been analyzed in section 3.1.6.3 above. It is also very difficult for CityLine to earn a profit as it does not share any ticket revenue from its cinema partners, but has to bear the huge development and maintenance costs of the ticketing system. Ticketek Hong Kong could have achieved the best financial position because by partnering with the Hong Kong Ticketing Alliance, it could secure a sales volume of around 1,000,000 tickets, which is very close to the projected break-even point of 1,250,000 tickets sold.

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