

## **Section I: Industry and Company Analysis**

### **A1. Company and Industry Profiles**

Live Nation Entertainment, Inc. is part of the concert and event promotion segment in the recreation and entertainment sector within the hospitality industry. Operators in the concert and event promotion industry segment are concerned with advertising, planning, managing, and producing live events (IBISWorld, 2021). Live Nation Entertainment also plays a critical role in the hospitality and tourism industry, considering that its revenue makes it recognized as the single largest player in the US concert and event promotion market segment.

#### **A1.1. Industry Classification / Size and Growth**

As part of the concert and event promotion segment within the hospitality industry, Live Nation Entertainment operates in a market affected by indicators such as domestic tourism, economic growth, and the availability of federal funding. Even though the concert and event promotion segment does not command a significant portion of the market share in the tourism and hospitality industry, Live Nation Entertainment's contribution is still substantial in the recreation and entertainment sector (See Appendix A). For instance, Live Nation Entertainment contributed 18.5% of the \$17.1 billion revenue from the concert and event promotion sector in 2021, as its revenue was \$3.16 billion. Also, Live Nation employs approximately 8,200 full-time employees (Mergent Online, 2021). Thus, the large workforce implies that Live Nation is a big enterprise. Besides, the high revenue volatility in the event promotion segment makes a few companies have outstanding market shares because of service/product concentration, and Live Nation Entertainment is an example of such a firm.

Several parameters describe the concert and event promotion industry's size and growth. Even though this industry segment did not experience positive growth in employment between 2016 and 2021, it is expected to grow by 15% from 2021 to 2026, and

it currently employs 190,000 people (See Appendix B). According to a US industry report that IBISWorld conducted, there were 68,426 businesses in the concert and event promotion sector within the country in 2021. Among these companies, Live Nation Worldwide, Inc. had the highest revenues, and at \$3.16 billion, it represented 18.5% of the market share (See Appendix A). The consistent growth in revenues in the concert and event ticket sales in North America over the last twenty years suggests that Live Nation Entertainment has maintained excellent performance in a competitive industry (See Appendix C). Similarly, Live Nation Entertainment's revenue steadily grew from 2006 to 2019, when the company reported its highest earnings at \$11.55 billion (See Appendix D). However, since Live Nation's operations were adversely affected by COVID-19, its revenue drastically reduced since 2020, as seen from its cumulative annualized growth rate, which was -38.2% for the 2016-2021 period (See Appendix E).

The annual growth rate for the concert and event promotion segment in the US market reduced in 2020, and this outcome resulted from changes in several key drivers. For example, domestic trips reduced by 4.9, corporate profit declined by 2.4, time spent on leisure increased by 0.6%, while the per capita disposable income increased by 3% (See Appendix F). However, the annual growth for the 2021-2026 period is projected to be 16.9%, suggesting that there is potential for growth for new entrants in the segment.

## **A1.2. Company Size and Growth**

Live Nation Entertainment has a substantial share in the recreation and entertainment sector, and this results from its multiple operations within its three business segments. Live Nation Entertainment's segments include an agency business that sells events tickets, a concert one that promotes music events and manages venues, as well as an advertising and sponsorship division (Mergent Online, 2021).

Live Nation Entertainment has increased its revenue over the years to become a leader in the concert and event promotion segment. However, Live Nation had experienced growth in profitability between 2016 and 2019, but the company's earnings drastically reduced in 2020. Also, Live Nation's total revenue increased annually from \$8.35 billion in 2016 to \$11.55 billion in 2019, whereas 2020's total revenue was \$1.86 billion (See Appendix G). The company's revenue contraction within the identified period can be attributed to the impacts of the COVID-19 pandemic, which resulted in the cancellation of numerous concerts and events.

### **A1.3. Company Profitability**

#### *A1.3.a. Factors affecting profitability*

Live Nation Entertainment's profitability depends on several aspects, which primarily include price factors. For instance, the economic climate determines the number of people that have disposable incomes to purchase tickets for concerts or events. The demand and expenditure for performing arts or sporting events are influenced by aspects that affect levels of disposable household incomes. If taxes and interest rates increase, they can lower disposable incomes, adversely affecting Live Nation Entertainment's profitability. In this regard, Live Nation Entertainment's profitability drastically reduced in 2020 because of the adverse effects of the pandemic on industry activity and domestic tourism, especially in the US (See Appendix G). Consequently, Live Nation's revenue significantly reduced from \$11.5 billion in 2019 to \$1.8 billion in 2020. Considering that the restrictions imposed due to the pandemic also affected activities in various other industries, many individuals reduced the domestic trips they used to take for recreation and entertainment.

Most of the revenue that Live Nation Entertainment generates comes from concerts, as this is one of its most profitable business segments. However, many activities in the hospitality industry's concert and event promotion sector stopped due to the distinct nature of

the COVID-19 virus (Nhamo et al., 2020). As domestic trips reduced, most people who attended events or concerts could no longer do the same, which reduced Live Nation's performance in the US industry segment (See Appendix H). The highest revenue that Live Nation generated was \$11.55 billion in 2019, where concerts brought in \$9.43 billion, and ticketing revenue earned \$1.54 billion (Statista, 2021). Also, the postponements and closures of events in 2020 led to a significant decrease in revenue for Live Nation Entertainment, which contributed to the reduced share price during the same year (See Appendix I). Revenue from ticketing or concerts could have been used to pay for Live Nation's fixed costs in 2020. Between June 2020 and June 2021, Live Nation Entertainment's share price exhibited an increasing trend from the lowest recorded share price. The lowest share price within the past year was \$42.62, as recorded in June 2020, while the highest was \$92.86 in March 2021. As Live Nation Entertainment progressed with business into 2021, the recovery of the entire economy enabled it to recover from the lows experienced in 2020, explaining the increase in its share price.

Trends in US domestic tourism are critical determinants of Live Nation Entertainment's profitability. The most drastic changes in US domestic tourism occurred between 2019 and 2020, and data reveal a close relationship between domestic trips and revenue earned in the industry (See Appendix J). For example, revenue for the concert and event promotion segment decreased by 69.04%, and it corresponded to the reduced domestic trips, which declined by 59.46%. Further, the location of many concert venues in tourism destination areas implies there was minimal attendance to events in 2020, which illustrates why there was a decrease in the demand for the industry's services.

The profits that other corporates make also determine Live Nation Entertainment's profitability. When large companies are profitable, they are also likely to increase their advertising budgets. This suggests that they can sponsor events and entertain clients while

promoting their services or products (Lautour, 2018). Therefore, as corporates recover from the impacts of the pandemic, they are likely to spend more finances on services in the concert and event promotion industry, ultimately increasing the profitability of a company like Live Nation Entertainment.

The time that people spend on recreation or entertainment determines the profitability of Live Nation Entertainment. If the number of people having free time increases, the consumer demand for live performing arts or sporting events would likely increase. However, there is an expected decrease in time spent on sports or leisure in 2021 (IBISWorld, 2021). In this regard, the reduced sporting and leisure time might adversely affect the profitability of Live Nation Entertainment within the same period.

#### *A1.3.b. Product Segmentation*

Live Nation Entertainment has three distinct segments for the services that it provides. The ticketing segment works as an agency business for the firm's clients, where it sells tickets on behalf of them. The concerts segment operates music venues, manages artists, and promotes music events worldwide (Mergent Online, 2021). Moreover, the sales force in the company's sponsorship and advertising segment seeks to retain good relations with sponsors, enabling the company to reach its customers through events' ticket sales.

### **A2. Company Analysis of Vision; Mission; Guiding Principles**

Live Nation Entertainment has a unique vision. Its aim as part of the creative industry is to bring together everyone who is a stakeholder to share ideas and evaluate different possibilities for improvement (See Appendix K). The unpredictability of market trends in the concert and event promotion segment in the hospitality sector can make it challenging for a company like Live Nation Entertainment to remain profitable when disruptions occur. However, the assessment of possibilities for minimizing losses during periods of reduced

revenue growth enabled Live Nation Entertainment to remain the major player in the concert and event promotion segment.

Live Nation Entertainment has clearly defined its underlying intentions and fundamental goals for business engagement through its mission statement (See Appendix L). Through its core mission of organizing, producing, and promoting music events and festivals, Live Nation achieves its objective of satisfying the demand for live entertainment by linking fans with artists. Equally significant, the changes in demand for events and concerts help Live Nation Entertainment to ascertain the impact of trends on its different business segments depending on the revenue earned. For example, Live Nation Entertainment applied its mission in its business operations by focusing on sponsorship and advertising in 2020. Through this approach, the sponsorship and advertising segment reported the highest operating income in 2020, even when the other segments incurred losses (See Appendix M). As a result, Live Nation Entertainment still achieved its mission of connecting fans with advertisers using finances from corporate sponsorships.

The values and beliefs that make up the guiding principles for Live Nation Entertainment also comprise the firm's culture. Live Nation Entertainment has a comprehensive guiding principle that applies to the company's employees, partners, artists, and fans (See Appendix N). Equally important, Live Nation ensures that its perks and benefits are directed towards improving different aspects of life for everyone associated with the company. For instance, artists help Live Nation Entertainment make revenue for it, and the company also supports them by organizing festival and concert performances, global touring deals, marketing, and managing them. Equally significant, Live Nation Entertainment takes care of its employees by hiring individuals passionate about their duties and rewarding competent staff members.

## **B. External Environment (PESTEL)**

### **Political**

Considering that Live Nation Entertainment conducts operations such as promoting music events globally, several political aspects can affect its financial performance in particular markets. For example, quarantine measures, tariffs, and regulations related to the concert and events promotion sector vary from one region to another, and they can all affect Live Nation Entertainment's profitability. Also, the rate at which pandemic restrictions are lifted depends on the mass vaccination efforts that different regions have put, and it can determine the outlook for the concert and event industry beyond 2020. From a 43% growth in 2021, the concert and event promotion industry is expected to grow further by 101% in 2022 (See Appendix O). In this regard, the industrial safety regulations in different nations and government interventions in the entertainment industry are the major political factors affecting Live Nation Entertainment's business operations.

### **Economic**

Every country in which Live Nation Entertainment operates has unique economic factors that affect the demand for services in the concert and event promotion segment. Similarly, a significant part of revenue growth for Live Nation Entertainment depends on the volume of sales for events' tickets. Thus, when levels of unemployment increased during the downsizing of companies in 2020, the levels of disposable income also declined (Almeida et al., 2021). Similarly, the high level of revenue volatility in the concert and event promotion industry is evident as data suggests there was a -11.5% decline in annual revenue growth between 2016 and 2021 (See Appendix F). However, the slight increase in per capita disposable income during the same period enabled the industry to earn \$17.1 billion in revenue. Therefore, aspects such as productivity, labor costs, and inflation rates in a country

where Live Nation Entertainment operates determine the disposal income, affecting the company's profitability.

### **Social**

Live Nation Entertainment has to satisfy the needs of people that attend live events or concerts in every region where the company operates. Leisure interests, social conventions, and demographics of the population in every state where Live Nation Entertainment promotes events or concerts are determinants of the number of establishments that the company can use for business operations. Similarly, changes in population distribution correlate with the revenue that Live Nation Entertainment earns from each state due to the differences in the concentration of business establishments in different locations (See Appendix P). Thus, Live Nation Entertainment has to concentrate its marketing efforts in regions such as the Southeast and West since they have the highest populations and concentration of establishments.

### **Technological**

Live Nation Entertainment should identify its positioning strategy after evaluating the rate at which technological or systems innovations occur in the concert and event promotion industry. For example, the high concentration of service providers at the industry's core markets makes it difficult for disruptive technologies to enter the market at new entry points (See Appendix Q). Thus, for technological innovations to be disruptive in the concert and event promotion industry, they can only succeed by strategically entering the underserved markets. However, there is a moderate rate of technological change in concert and event promotion. Still, Live Nation Entertainment is unlikely to be affected by it since it is an incumbent operator. For example, Live Nation Entertainment can improve the facilities it manages for concerts by enhancing the sound quality, lighting, and viewing areas to attract more people to live events.

### **Environmental**

Since Live Nation is involved in the management and operation of music venues, it might contribute to pollution. However, live Nation Entertainment has demonstrated its commitment to the environmental standards imposed in the regions where the company has facilities for its business operations to continue (See Appendix R). Through its partnership with Green Nation, which focuses on global sustainability, Live Nation Entertainment set relevant environmental goals for all its facilities. Live Nation's charter for environmental sustainability ensures that the company reduces the adverse effects of the live events it promotes by recycling materials, eliminating single-use plastics, and reducing fossil fuel use.

## **Legal**

Live Nation Entertainment's operations span across various states and countries, where legal institutions and frameworks vary. Within the concert and event promotion industry, there is a low level of regulation. However, promoters have to adhere to maximum capacity and public safety regulations, taxes, and requirements for handicap accessibility (IBISWorld, 2021). For example, before Live Nation Entertainment operates music venues, it must meet the relevant safety standards and secure permits for event activities. Moreover, Live Nation has to ensure that it abides by any additional regulations of some specific sporting events that require state licensing.

## **C. Profit Potential (Porter's Five Forces)**

### **New Entrants**

Live Nation Entertainment can ascertain its corporate strategy after the assessment of competitive forces that drive the concert and event promotion industry. First, new entrants to the concert and event promotion sector can threaten Live Nation Entertainment's market share if they introduce intensive technological disruptions. However, the medium potential for innovation concentration in the market suggests that the operations of incumbent players are unlikely to be disrupted by entrants with new technologies (See Appendix Q). Also, since

patents are concentrated in areas where core markets are located, Live Nation is the only company that is likely to introduce new technologies in the industry. Therefore, by introducing new technologies and innovating its services, Live Nation Entertainment can address the risk of competitive disadvantages from new entrants and retain its potential for profitability. Also, Live Nation has maintained its leading position in the promotion and production of live events with the largest market share (See Appendix S). Live Nation Entertainment also expanded through its acquisitions. This is why it increased its market share between 2020 and 2021, while its closest competitor, the Anschutz Corporation, reduced its market share.

### **Buyer Power in Concert and Event Promotion**

Individuals, performers, or musical groups that attend events and purchase tickets are buyers in the industry where Live Nation Entertainment operates, and they can influence the prices of services offered. For example, concert attendees might search for events with discounted offers to purchase tickets from their promoters. However, despite Live Nation Entertainment's reduced market share to 17.5% in 2020, its value rebounded in 2021 to 18.5%, illustrating that the company still leads in the provision of logistics to numerous events (See Appendix S). Thus, Live Nation Entertainment must have an equity interest in most venues for live entertainment compared to any other industry player due to the high revenue it generates. In this regard, Live Nation Entertainment has addressed the bargaining power of concert attendees by establishing a large customer base, which enabled it to streamline its processes.

### **Supplier Bargaining Power**

Since Live Nation Entertainment operates in an industry where multiple suppliers are involved in facilitating the success of its operations, the firm has to ensure that none of them asks for excessively high prices. Some of the suppliers for Live Nation Entertainment,

including casino hotels, musical groups, colleges, commercial leasing, and artists, can negotiate the prices of services or products offered to the company (See Appendix T). If some of the suppliers for event venues or performers become dominant in the market, their bargaining power would increase, leading to a decrease in Live Nation's profitability. However, Live Nation Entertainment's dominant share in the concert and event promotion market implies that it has developed a list of dedicated suppliers for event venues or supplies required for live entertainment.

### **Substitute Products/Services Threats**

Live Nation Entertainment has retained the largest market share in the concert and event promotion industry because of its service specialization in different segments, including sponsorship/ advertising, concerts, and ticketing. For instance, another event-promoting company can introduce a more efficient ticketing system while providing a better consumer experience. However, a large company like Live Nation can appeal to performers by quickly adopting a new technology, which can ultimately improve the customer experience (See Appendix U). However, as Live Nation focuses on the three segments, it often retains the business processes in its subsidiary companies. However, if they become obsolete, other companies can capture a niche market, such as attendees to live music events. If one of the companies involved in producing live entertainment introduces substitute services with unique offerings, the company's financial growth can be adversely affected. Therefore, a company like Anschutz Corporation can utilize the power of its growing market share to introduce technology such as virtual reality to Live Nation's target markets that stopped attending live events due to COVID-19 restrictions.

A competitor to Live Nation can seek partnerships with musical groups and artists to take over the market for concerts and events. However, Live Nation Entertainment can secure some of the best-performing acts for its venues due to the superior reputation it has achieved

after consolidating its position in the market. In this regard, Live Nation can ensure that consumers receive value-added services/ products within the facilities it operates. Moreover, the concert and event promotion segment has a low rate of innovation. Still, disruptive innovation is likely to affect it due to the high rate of industrial patent additions (See Appendix Q). Therefore, if a potential technological development disrupts the concert and event promotion industry, it would likely become a substitute for Live Nation's services.

### **Competitor Rivalry**

Live Nation Entertainment's profitability can be affected if the company has an intense rivalry with other existing players who are its competitors. The only other event promoting company whose market share is greater than 1% is Anschutz Corporation. Still, it has not focused on the differentiation of the services that it offers as Live Nation has done. Even though Anschutz's share value increased in 2020 by 0.1%, it later reduced by 0.7% in 2021, while Live Nation's share price increased in 2021 (See Appendix S). Therefore, Live Nation's scale and differentiation of services into several segments enabled it to address competition.

## **D1. Internal Environment (SWOT)**

### **Strengths**

Live Nation Entertainment stands out as the industry leader in promoting concerts due to its massive capacity to offer logistics for many live entertainment events. Besides, Live Nation has the largest equity interest in facilities for hosting events compared to any other promoter. Some of the regions in which Live Nation Entertainment has established its operations include Europe, North and South America, where the company has an ownership interest in 237 venues (See Appendix V). Therefore, since Live Nation Entertainment conducts its operations in three different segments across many nations, it is apparent that it has established good brand equity, making it the company of choice for potential customers.

Besides, Live Nation's balance sheet is more robust than its closest competitor, the Anschutz Corporation, and this indicates that the company has a loyal customer base. Live Nation's emergence as the largest company in the concert and event promotion industry segment came about due to its acquisitions and mergers with other companies. For example, Live Nation's merger agreement with Ticketmaster Entertainment made the company gain a significant market share and expand its service offerings (See Appendix V). Also, Live Nation Entertainment's consolidation with other companies like Ticketmaster made it acquire a significant portion of the market share (IBISWorld, 2021). By combining resources from its acquired companies, Live Nation Entertainment has the potential to provide improved service offerings to customers and increase its profitability.

### **Weaknesses**

Despite the strengths that Live Nation exhibits as the leading concert and event promoter, its performance is not optimal, and there are particular areas where it needs improvement. Although Live Nation has exerted efforts to retain profitability, its revenue growth is negatively affected by its fixed costs, including allocating a significant portion of funds for long-term capital lease obligations and debt (See Appendix W). According to Mergent Online (2021), Live Nation's total liabilities increased from \$9.8 billion in 2019 to \$11 billion in 2020. In light of this, Live Nation has to improve the efficiency of its financial planning to address the challenge of decreasing revenue due to fixed costs. Besides, the cumulative annualized revenue growth rate for Live Nation Entertainment between 2016 and 2021 was -38.2%, which can be attributed to the adverse impacts of COVID-19 on event promotion and consumer discretionary spending (See Appendix E). Even though Live Nation's structure and scale enabled it to retain its market share during the COVID-19 period, its business operations became unsustainable due to the pandemic's negative impacts. For instance, Live Nation had to continue paying its full-time staff even when the company had

stopped conducting its business operations. Thus, Live Nation's scale implies that it would encounter challenges while recovering from the reduced operations during the pandemic.

### **Opportunities**

Live Nation Entertainment's opportunity for business expansion in the industry is likely to occur in the future because of the company's acquisitions and mergers with other competing firms. For instance, Ticketmaster merged with Live Nation in an agreement that cost \$899 million, after which it became a wholly-owned subsidiary of the company (IBISWorld, 2021). Using this approach, Live Nation ensures that it constantly improves the service offerings to its sponsors, consumers, and performers. On the other hand, Live Nation Entertainment has the opportunity to increase its revenue beyond 2021, as data reveals that high-performance drivers will spur growth (See Appendix X). Also, considering that the projections for disposal income illustrate that it will increase from \$ 47,116 in 2021 to \$53,364 in 2027, Live Nation Entertainment would be expected to exhibit an upward trend in revenue growth. Furthermore, despite the cancellation of many concerts and live events in 2020 due to COVID-19, Live Nation's 5-year price performance suggests that the company has opportunities for improving its profitability in the future (See Appendix Y).

### **Threats**

Event promoters with smaller market shares than Live Nation gained a competitive advantage during the COVID-19 period because of the government aid they received. Live Nation did not benefit from the \$10 billion government relief to events promoters because it failed to meet the requirement of operating in less than ten states (IBISWorld, 2021). On the other hand, Live Nation Entertainment's operations in different countries imply that it needs to prepare for currency fluctuations due to varying political climates. Also, low revenue growth in event and concert promotion suggests that the market is mature, as it was -11.5% in the 2016-2021 period (See Appendix F). As a result of the decline in economic growth due to

the pandemic, Live Nation Entertainment's profitability was negatively affected by the reduction in indicators such as corporate profit and domestic trips. The choices that individuals make regarding their preferred entertainment choices can, therefore, affect Live Nation's revenue. The decline in US domestic trips suggests that many people might not attend concerts or events, which leads to a reduction in revenue for Live Nation Entertainment. Similarly, Live Nation's year-over-year revenue growth change in the US market was 7.1% in 2019 and declined to -73.1% in 2020 (See Appendix G).

## **D2. Generic Strategies/Competitive Moves**

### **Differentiation**

Live Nation Entertainment has established a sustainable competitive advantage over its competitors, including the Anschutz Corporation, due to its differentiation, as it offers various services through its three business segments. Live Nation operates as an agency for its clients within its ticketing segment, and it is involved in the sale of event tickets while making revenue through service charges (Mergent Online, 2021). Besides, Live Nation differentiates its services in the market by managing and operating music venues, managing artists, and producing content for live entertainment such as music festivals. Also, Live Nation's concert business segment operates globally by promoting music events in different regions (Mergent Online, 2021). Apart from Anschutz Corporation, many other companies in the concert and event promotion industry segment have not differentiated their services extensively. For example, Anschutz Corporation increased its operations over the past decade, and it is currently involved in the operation and management of live event facilities, festival production, and promotion activities (IBISWorld, 2021). However, since the Anschutz Corporation primarily engages in venue operation and event management, it has not diversified its business operations as much as Live Nation in different areas like sponsorship and advertising or selling event tickets.

## **Cost Leadership**

Live Nation's services cater to people who often attend live entertainment events. Considering the large number of customers that the company serves, its increased sales enable it to improve profitability. In addition, the accessibility to tickets that Live Nation provides to its customers gives the company a competitive edge over competitors like the Anschutz Corporation. Equally significant, the merger with Ticketmaster allowed Live Nation to establish additional distribution platforms, which reduced marketing costs and helped it achieve cost advantages.

## **Focused Differentiation**

Live Nation's differentiation strategy helps it focus on its target niche market, comprised of people that attend live music events. However, Live Nation also has another niche market, made up of advertising agencies. Therefore, by linking consumers, sponsors, and artists through live music events, Live Nation Entertainment achieves differentiation in its target niche markets. Considering the large number of live events that require logistics and support from Live Nation Entertainment, the company's differentiation focus helps it achieve the objective of serving its target niche market. Furthermore, by addressing the needs of advertisers, fans, and artists in a unique and practical approach, Live Nation makes the sponsorship and advertising business segment less attractive to its competitors. Also, as Live Nation provides value-added service offerings to its customers, it can attract more people to its events due to their high expectations for quality services from the company.

## **Focus Cost Leadership**

Live Nation Entertainment has achieved a cost advantage while conducting operations in its target niche market. For example, when the company starts promoting a live music event, it earns revenue through the concert business segment, after which it earns commissions on the tickets it sells as an agency. Also, Live Nation's provision of services

such as management to artists helps the company increase ancillary sales in its events by managing the sale of merchandise or other products in events. In light of this, Live Nation achieves a cost advantage while linking event attendees, performers, and sponsors in live music events.

## **Section II: Executive Summary**

### **A1: Live Nation Entertainment Problem Identification**

#### **Problem 1 – Retention of Obsolete Business Processes**

One of the complex challenges that Live Nation Entertainment faces is the retention of obsolete business processes in the companies that it acquires or merges as subsidiaries. When some of the subsidiary companies fail to upgrade their business systems or processes, Live Nation might face competition in capturing the market for live music events. For example, Live Nation might have a reduced market share if it keeps relying on revenue from particular processes in its existing business segments, including ticketing. If another event promoting company introduces a more efficient business process, it can affect Live Nation's long-term profitability. One of the substitute products that a different events management company can introduce to the industry segment to capture the market share of people that stopped physically attending events due to COVID-19 is virtual reality (VR). Additionally, a company that introduces a ticketing system that is more efficient than the one that Live Nation currently uses can obtain a competitive advantage since it might appeal to many people that need to experience live entertainment. However, Live Nation can still retain its market share if it identifies and addresses the needs of individuals that intend to watch live events without physically attending them.

#### **Problem 2 – Lack of Effective Financial Planning**

Another problem Live Nation has encountered in its operations is the lack of optimal financial planning due to its high fixed costs. An example of a fixed cost that is currently affecting Live Nation's performance is the company's long-term capital lease obligations and debt. Considering that Live Nation is responsible for managing and operating a large number of venues and arenas for live entertainment, it might incur losses from the fixed costs required to rent or maintain them. The negative growth of Live Nation's annualized revenue

growth rate from 2016 to 2021 resulted from the unsustainability in conducting business operations due to COVID-19 restrictions. Without making profits from organizing concerts, selling tickets, and promoting events, Live Nation might find it difficult to pay its long-term debt and capital lease obligations or full-time staff members. Therefore, Live Nation's recovery rate after the pandemic depends on handling its fixed costs and the effective management of its

### **Problem 3 – Low Revenue Growth**

Live Nation Entertainment's future success can be adversely affected by the minimal potential for revenue growth in the events promotion industry sector. Indicators such as growth in the broader economy affect the decisions that people make regarding their preferred choices for entertainment or recreation, which consequently impact the number of US domestic trips. In 2019, Live Nation did not have strong year-over-year revenue growth since it was 7.1%, and yet the company's profitability had not been affected because of the pandemic. Additionally, Live Nation's year-over-year revenue change was much less in 2020, as it was -73.1%. Therefore, Live Nation's low revenue growth indicates that it is affected by the maturity of the concert and event promotion market.

## **A2. Company Solutions to the Identified Problems**

### **Problem 1 - Retention of Obsolete Business Processes**

#### *Solution 1 – Upgrading Business Systems and Processes*

Live Nation's retention of obsolete business processes is an issue that should be addressed. For Live Nation to tackle this challenge, it should continually review its business systems and upgrade any obsolete processes. For example, Live Nation already provides a unique offering to its customers because of the merger with other companies such as Ticketmaster. However, by regularly improving the efficiency of its business system, Live Nation can increase its revenue in its business segments. Most consumers who obtain services

from Live Nation can gain loyalty to the brand when they perceive its service offerings as valuable.

#### *Solution 2 – Offering Different Viewing Experiences*

Some obsolete business processes might make Live Nation Entertainment lose part of its market share when customers are dissatisfied with the services they receive. Thus, Live Nation can address this challenge by offering different viewing experiences to consumers when they need to access live events and experience them without their physical attendance. For instance, Live Nation can introduce VR broadcasts and promote events through the same technology.

#### *Solution 3 – Reducing Service Response Time*

The rate at which Live Nation serves its clients depends on the efficiency of its business processes. Thus, if its business processes are obsolete, many customers might be dissatisfied with the services they receive. However, once Live Nation reduces its service response times, many customers would be satisfied with its efficient and value-added services.

### **Problem 2 – Lack of Effective Financial Planning**

#### *Solution 1 – Workforce Reduction*

Considering that Live Nation's high fixed costs also result from the payment of salaries even after the cancellation of many events, the company can address the challenge by reducing its workforce. However, Live Nation has to select staff from the departments or business segments with the least responsibilities during the downsizing exercise. Also, while reducing the number of employees, Live Nation can consider doing so through an approach that would not permanently terminate the employment of full-time staff members. For instance, Live Nation can implement temporary layoff policies while downsizing.

### *Solution 2 – Streamlining Business Processes*

Some of the business processes that Live Nation does might not add value to the company, especially after many operations were canceled or postponed. The analysis of Live Nation's value chain can help determine whether some tasks are repetitive or need improvement, after which it should streamline its processes. When Live Nation automates most of its business processes, it can reduce its staffing needs. Consequently, Live Nation's improved cost-efficiency from streamlined business processes will help it optimize its resources and reduce fixed costs.

### *Solution 3 – Adjusting Live Nation's pricing Strategy.*

Live Nation caters to the needs of numerous clients from its three business segments. Therefore, it should consider aspects such as changes in market conditions, cost of inputs, and customer's ability to pay while pricing its services. For instance, if a particular segment such as advertising can pay premium pricing, Live Nation can reduce its prices in a new market.

## **Problem 3 – Low Revenue Growth**

### *Solution 1 – Strengthen Strategic Partnerships*

As Live Nation intends to address low revenue growth, it should strengthen its strategic partnerships with sponsors and corporates that advertise to customers through its assets. Considering that Live Nation connects with a significant number of people through the events that it promotes and manages, it can obtain more revenue by partnering with many sponsors through strategic partnerships. Through this approach, Live Nation can expand its market share and retain its current client base.

### *Solution 2 – Identify New Niche Markets*

Since Live Nation's year-over-year growth has persistently been low, the company can seek additional revenue from unexplored niche markets. Identifying the needs of

previously unexplored markets while providing valuable offerings can help Live Nation expand its customer base. Consequently, Live Nation can address the effects of low revenue growth using this strategy.

### *Solution 3 – Increasing Ancillary Revenue*

The revenue that Live Nation makes can increase through the introduction of additional services or products. Even if Live Nation keeps the cost of the concerts it promotes low, it can increase its revenue by providing secondary product offerings in all its live events. However, Live Nation has to understand its customers' needs before introducing additional products or service offerings.

## **B. Strategic Recommendations**

### **Recommendation 1 – Adopting New Technology**

Live Nation can address the issue of obsolete systems or processes by adopting technology that can handle the needs of different niche markets. For example, individuals who would like to experience live music events without physically attending them might need technology that allows them to do so, an example of which is virtual reality. Also, since some people that used to attend live events can no longer do so due to COVID-19 restrictions in some areas, Live Nation can identify the appropriate technology to keep them entertained without physically going to venues. If Live Nation utilizes the most technologically-driven approach to market its events, it would attract a broader customer base and improve its profitability. Therefore, once Live Nation ascertains that the consumer behavior of its core market has changed, it should promptly devise strategies to meet its needs. When Live Nation enhances the customer experience, more consumers would be satisfied with the services and gain brand loyalty. Moreover, Live Nation's adoption of a technology that enhances its business processes would help it save its revenue since employees would no longer spend time on automated tasks.

## **Recommendation 2 – Sensible Management of Cash Flow**

One explanation for Live Nation's negative revenue growth in 2016-2020 was fixed costs even when the company was not conducting its business operations. For instance, Live Nation is responsible for always maintaining its event venues, including when there are no performances. Therefore, Live Nation's long-term capital lease obligations further increased the value of fixed costs. Also, Live Nation has to address cash flow issues such as high fixed costs by moving venues to areas where rent is cheaper. Thus, Live Nation can sub-lease some of the venues that do not have any ongoing operations to other users. Through this approach, Live Nation will address the ineffectiveness of its financial plan by making adjustments to its revenue sources and reducing fixed costs. Another strategy through which Live Nation can increase its revenue is by reducing the debt amount, which is another fixed cost. To achieve this objective, Live Nation should refinance some debts and pay off others to reduce the company's high fixed costs.

## **Recommendation 3 – Providing More Valuable Service Offerings**

Live Nation should address the minimal potential for revenue growth in the event promotion segment by identifying changes in consumer behavior. Afterward, Live Nation should address the needs of target niche markets by providing valuable service offerings. For example, if Live Nation identifies potential sources of revenue in live events through ancillary sales, it should supply the specific products or services that consumers need. Live Nation Entertainment should evaluate some of the factors before selecting a venue for an event, including the availability of facilities, capacity, location, and accessibility. Also, while organizing concerts or other live events, Live Nation should collaborate with the musical groups or artists to identify the needed equipment early and ensure that fans enjoy their musical experiences in events. When Live Nation starts offering virtual events services, it should make the consumer experience as unique and enjoyable as possible.