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Multiproduct Pricing in Major League Baseball: A Principal Components Analysis

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Abstract:

The empirical analysis of multiproduct pricing suffers from a lack of clear theoretical guidance and appropriate data, limitations which often render traditional regression-based analyses impractical. This paper analyzes ticket, parking, and concession pricing in Major League Baseball for the period 1991-2003 using a new methodology based on principal components, which allows inferences to be formed about the factors underlying price variation without strong theoretical guidance or abundant information about costs and demand. While general demand shifts are the most important factor, they explain only half of overall price variation. Also important are price interactions that derive from demand interrelationships between goods and the desire to maximize the capture of consumer surplus in the presence of heterogeneous demand.