



Concert Entertainment Rate of Return

by Kell Houston

Entertainment and its impact on your casino revenue is somewhat intangible. The usual methods for calculating your rate of return or ROI (return on investment), have to be tweaked. Entertainment programs make considerable contribution in the areas of customer loyalty, brand recognition, public relations, image in the region and overall employee pride.

Concert programs are an excellent way to enhance brand and image of your casino. The artists you bring to your casino have a lot to say about your property, from a branding point of view. The top tier of artists send the message out to your region and community that you are a top quality venue, featuring the stars they hear on the radio or see on TV. However, the top tier artists will never pay for themselves off the ticket sales. The middle range artists are often overlooked and undervalued, because they lack the “wow” factor. However, these artists often times offer the best rate of return, because the artist cost is much less. These artists tend to appeal to a little older demographic. Then you have the “free” shows or lower tier artists. There is value here but the choices have to be made carefully and with a good plan in place. Based on the economics in today’s world, the middle range artists are the reasonable choice. Many casinos have a difficult time figuring a solution and a formula to justify the level or tier of entertainment they bring to the casino.

The issue here is that if your ROI only factors in ticket sales, disregarding incremental revenues, there is no allowing for alternative methods of evaluation. There is no way to get an accurate assessment of your entertainment program’s impact on your overall casino cash flow. Therefore the top tier artists show a huge deficit and the middle range artists mostly end up in the red as well. The lower tier artist, while a value to your property from many standpoints, will lack any return from the sales of tickets. So they end up looking like a worthless investment based on ticket sales. In order for your entertainment to pay for itself off the ticket revenue, you would have to keep your artist costs to \$30K or less, depending on the capacity of your venue. Additionally, you would need to hope and pray you could actually sell enough tickets at a low enough price to sell out the venue and generate enough door revenue to pay for the artist. So you see the dilemma being created. Trying to pay for an artist off the door revenues (ticket sales) in a small venue with a middle tier or lower tier act becomes very difficult. That is based on an inaccurate ROI program.

This type of program fails to deliver the information you need because it is one dimensional. Additionally it backs your entertainment department into a hole. It’s a no win situation.

Another ROI program associated with your entertainment program that is tangible and can be measured systematically ends up showing up on every other department’s reports but yours. For example, the concert entertainment drove business to the casino that stayed overnight in your hotel, had dinner and drinks in your restaurants, buffets and bars, and spent their money in slot play and/or table games. Additionally at some of the more upscale casino resorts, they played golf, used the spa and spent a long weekend. Does your concert entertainment get credit for those increases? In a lot of casinos, that is the topic of discussion. Your food and beverage people want credit for the business bump as well as the rest of the departments. The drop on the floor increased substantially the night of your concert. Who gets the credit?

Think of it this way – casinos are not in the concert promotion business, they are in the gaming business. Ticket sales for a concert can fluctuate a great deal. A half empty showroom filled with qualified gamers will oftentimes provide twice the revenues of a sellout crowd of non-gamers. Each seat in your concert venue should have a value that exceeds the actual ticket price for that same seat, before it is given out as a comp. To determine that value you need a very integrated players club program, so you can place accurate value on your players to justify the comp ticket. Many casinos get into a tiered level of players club. You will have the platinum, gold and silver levels. What tends to happen is that the tickets get given out to all sorts of people. These people may or may not be qualified customers. Oftentimes they end up in the hands of friends. Comp tickets are the misused entity in today’s casino concert business. Just selling tickets to the general public as a promoter would do, will not be fiscally responsible and will not be taking advantage of diversifying your ROI. Those comp tickets are the driving force in your property if used correctly. Used incorrectly they are a huge black hole.

What is needed is a better way to figure ROI out accurately, to factor in all of the intangibles concert entertainment creates on your property. It basically comes down to the fact that concert entertainment is a tool. Managed responsibly and with a strategic plan, concert entertainment

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can be the difference between a big successful night in the casino and an average night in the casino. There is no one way to do this, however the people in Las Vegas have had this figured out for a long time. Success leaves clues and it all comes down to your player tracking abilities and system. Casinos in Las Vegas, Atlantic City, Reno etc., have long known the value of comps. The most successful casinos comp a huge portion of their showroom and included is oftentimes a room, food and beverages. Those casinos understand their customers' value and they know that giving that customer a \$60 concert ticket and a \$100 room plus maybe an additional \$100 in food and beverage credits can translate into many times more in returned gaming revenue. Your players club is probably one

of the most important departments on your property. Is it functioning properly? Is your player database up to date? The economy has really changed a lot of households around the country. Those players that used to have a high ADT (average daily theoretical) may now be rated considerably lower. Get your players club on track. Take a look at factoring not only all the cost associated with putting that concert on at the casino, but all of the revenue the concert has helped generate across the board for every department. ♣

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AGENDA AT A GLANCE

SUNDAY – MAY 17TH

Chairman's Cup Golf
Skills Challenge
(The Meadows at Mystic Lake)



MONDAY – MAY 18TH

- GPIGA/Midwest/Rocky Mountain Golf Tournament
- Slot Tournament
- Great Plains/Midwest/Rocky Mountain Social/Cash Bar
- The Wilds Lounge*

TUESDAY – MAY 19TH

- Opening Ceremonies
- Tradeshow Opening
- Workshops
- Slot Tournament
- AGEM Reception

WEDNESDAY – MAY 20TH

- Workshops
- Slot Tournament Championship
- Taskforce on Gaming Meeting
- Closing Ceremonies on Trade Show Floor
- Tradeshow Grand Prize Drawing