



The State of Casino Entertainment

by Kell Houston

Today's economy has made many casinos rethink their expenditures. These are no longer the old, more profitable days where "If you build it they will come" was applicable. There are approximately 420 tribal casinos around the country and another 179 non-Indian, commercial casinos. The days of double-digit increases are behind us. Today, many casinos are struggling to drive their business and looking for ways to trim the fat. Executives are in and out of positions weekly. To put it bluntly, it's volatile out there.

How does this climate affect entertainment? The biggest driving force around the casino business is entertainment. Whether it's the showroom, cabaret, comedy club or entertainers, this is where a lot of money is spent to drive business and the property's brand. Of course there are costs for marketing/branding, advertising, radio, TV, giveaways, match play, in-house promotions, etc., but the entertainment costs seem to be under a microscope these days. Consider what a casino environment would be like without the glitz and glamour of celebrity entertainment. It would be a pretty dull place and it's doubtful that it would receive many return customers. So where is the balance?

Since Indian Gaming came on the entertainment scene, it has single-handedly resurrected the careers of numerous artists. Artists that were past their prime and could no longer sell "hard" tickets found a new market. Additionally it was a lucrative market for them; they were getting paid more money than they had seen in decades. The casino marketplace thrived, so much so that mainstream artists with inflated pricing got interested and started playing the markets, too. This is where costs started getting out of hand. Casinos started booking shows that could never pencil out financially. Each show had to be bigger or better than the competitors in the regional marketplace, a trend that, when tied in with the economic downturn, made matters worse.

So what can be done? The trend seems to be with lower-cost shows and lower ticket pricing. Casino executives are tired of watching the money leave on a tour bus. How can a five- to six-figure deficit from a concert be regained on the floor of a casino? Entertainment is a finicky subject. There is so much emotion and so many memories tied up in entertainment choices that unless executives do some analysis, poor choices can be made. Remember, it is about making the right choices for the right money for the right date. It's about putting together a good strategic plan for the property. If a property is going to lose some money on a show,

is it going to make that up either in floor revenue or perceived value to its brand?

Casino entertainment is meant to drive the business, not bury it. A showroom or event center cannot feasibly be run as a "for profit" venue. However, a balance can be found between ticket revenues, comp revenue and artist cost, to come pretty close to breaking even. Breaking even should be the goal. Even losing some money on a show is fine, if the property is making that up in incremental revenues.

A property has a 1,200-seat venue and its plan is to have one big show and one smaller show each month. Its budget is \$75K per month for the artist cost. That can easily translate to \$125K per month or more, when it starts factoring in the rooms it has to supply, the sound & lights, the backline, the ground transportation, the meals & hospitality. And this is prior to factoring in the marketing and advertising for the events. If the property comps 300-400 tickets to its VIPs, and sells 800 - 900 to the public per show, it would need to price tickets generally at an average of \$85 - \$90/ticket to come close to breaking even on the \$50K show, and a \$50/ticket to try and break even on the \$25K show. The costs for sound & lights, backline, ground transportation, rooms, hospitality and meals, will generally be pretty much the same for a \$25K show or for a \$50K show. Will those comps to VIPs make up the difference with their play on the floor? That is a good question to consider.

The trend seems to be to spend less money on concert entertainment. That means doing a lot more research about customers and the surrounding marketplace. It means finding the hidden gems out there that people want to come see. Marketing departments have to become creative and educated about the various genres of music. Not just the "cool" stuff, but all genres. 2010 will be more about value entertainment and inexpensive tickets. Casinos might find themselves scheduling more shows at a lower price point and keeping tickets free or very inexpensive.

This does not mean the big-name celebrity entertainers are a thing of the past. It just means that properties have to spend their money more wisely and try to guarantee a return on their investment. It's time to keep the money on property and not watch it drive down the road. ♣

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