



Ten Ways to Make Headline Entertainment Profitable

As the price of headline casino entertainment grows, a loud but vocal minority of casino executives have begun to question the expense associated with entertainment. These people tend to be the financial professionals within the casino organization who believe that such programs should be measured. They may also be of the belief that casino headline entertainment programs seem to exist solely to fund the retirement programs of aging rock stars who, like most baby boomers, neglected to properly plan for their golden years and are now forced to work extra hard while they still retain some marketable skills. This article is not for those naysayers but is written for those that must justify their entertainment programs in the wake of what may be sound logic and reason. Skeptics are asked to ignore this article. Those that must justify their entertainment programs are invited to read on.

There are ten simple steps that entertainment and marketing executives can take to better justify the expense of headline entertainment. By following these suggestions entertainment programs will always make money despite what may be revealed in property profit and loss statements.

#1 - Put It Down on Paper

Financial professionals love forms that forecast revenue and expenses. Therefore it is incumbent upon those accountable for entertainment to provide property leadership with a form that predicts revenues and expenses. The trick is to make this important measurement tool work for you.

A well-designed headliner pro forma can make any show profitable. This form must be used for every headline act. It lists the name of the performer, the price to be paid for that act, the costs of equipment rental and the various riders. It also lists ticket prices and forecasts revenues by market segment (retail, casino marketing, direct mail, etc.) However, by keeping certain and less obvious expenses off this pro forma, any show can make money. Some of these are discussed below.

#2 - Let Security and Engineering Pay for Their Own Labor and Overtime

The impact of a headline act on the property can be significant. It is not uncommon for a headline act to attract over 1,500 additional people to the property, often doubling the number of people that visit the casino on a normal evening. To manage this large influx of people the security staff must be bolstered with additional personnel. Often these activities require prodigious amounts of overtime pay which subsequently appears on the security department's P&L.

The engineering department also plays a significant role in entertainment production. These include electricians, carpenters and maintenance staff. Again, overtime costs are often incurred and appear on the engineering P&L. A well-designed headliner pro forma must never account for either security or engineering costs. After all, they are already accounted for elsewhere.

#3 - Ask For Volunteers

What better way to reduce labor costs than to reach out to managers, supervisors and other salaried personnel and ask for volunteers. After all, making headline entertainment work is a team effort and what better way to foster camaraderie and an esprit de corps than to bring managers together to help make the show work. And, if you are a general manager, don't forget to schedule the weekly staff meeting on the morning after a headline act to discuss the success of the show and to prevent anyone from sleeping in.

#4 - Properly Account for Advertising Placement Costs

All headline acts require copious amounts of advertising, most often in the form of billboards, radio and print placement. A well designed headliner pro forma will show the more obvious advertising costs such as radio and print placement but will ignore others. After all, why should the entertainment department be burdened with the costs of billboard rentals if those rentals are part of an annual contract? Wouldn't the advertising department have to pay for that billboard even if there was no headline act? If so, why should entertainment be allocated that advertising expense?

#5 - Do Not Include Costs of Advertising Production

The cost of producing print ads, radio spots and manufacturing billboard vinyl can also be significant. Since the entertainment department relies on the advertising department to produce these ads, can entertainment be truly held accountable for those expenses? Should they not appear as an advertising expense? Such questions create debate and as long as they are debated, they cannot be allocated.

#6 - Do Not Include Direct Mail Costs

Headline entertainment is often used in conjunction with database marketing in order to generate incremental visits to the property and foster loyalty. Casino marketing will in turn target their best customers in

their database with invitations to attend a concert.

Invariably, when ticket sales are slow, entertainment will again turn to the database marketing department and request that a postcard be sent out to the entire database. The costs of producing and mailing 20,000 four-color postcards are high so the question that must be asked is “Is this entertainment advertising or casino marketing?” Again, this can be debated.

#7 - Other Hidden Costs

There are a number of hidden costs that go along with the operation of any entertainment venue. There are utility costs, janitorial costs, and set-up and tear-down by banquet staff that may ultimately appear on other departmental P&L statements but are rarely accounted for on the headliner pro forma. These are difficult costs to estimate. Besides, they will ultimately appear on another department's P&L.

#8 - Allocate Tickets to Casino Marketing and Charge Them Top Dollar

Rather than rely solely on retail ticket sales, an astute entertainment director will simply allocate a large portion of tickets to casino marketing. Of course, these will be the best and priciest seats in the house. When allocating tickets, it is not necessary to ask casino marketing how many seats they will actually need. It is better to pick a nice round percentage like say, 33%. And then, once those tickets are allocated, casino marketing should be charged the full retail value of those tickets and the estimated revenue recorded on the headliner pro forma.

#9 - Measure Performance by Headcounts

Is the goal of headline entertainment to actually make money or is the goal “to bring the bodies into the casino?” This distinction is important and goes down to the root of why headline acts are important. If the goal is to make money then the entertainment director is forced to face innumerable challenges. However, if the ultimate goal is to drive traffic into the casino then a wealth of burdens are lifted. One need only fill up the showroom and let the slot director and table games director worry about generating gaming revenue. “Bringing in the bodies” is a far easier goal to achieve and is far easier to measure.

#10 - Paper the Room

Should ticket sales falter and casino marketing fail to utilize their generous allocation of tickets, entertainment managers must rely on the time-honored tradition of “papering the room.” “Papering” simply means distributing free tickets. These tickets can be given directly to employees through human resources. They can also be given to vendors, radio stations or even to

customers on the gaming floor. Papering assures that the venue will be full, creating energy, excitement and a memorable evening for guests. Better yet, “papered” tickets can be charged to casino marketing and human resources and then booked as revenue by the entertainment department.

The rapid expansion of casino gambling has created a unique opportunity for hundreds of aging rock stars to relive the glory of their youths and to perhaps put a little money aside for their golden years. As casinos search for new ways to attract aging baby boomers to their properties, dedicated rock groups are there to meet this need and help casino marketers in their mission. Managers must in turn make sure that these entertainment programs remain profitable and, by following these ten simple suggestions, a casino's entertainment program will be viewed as successful and even those doubting and pesky people in accounting will be unable to convince leadership otherwise. ♣

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