



Maximizing the Value of the Entertainment Buyer

by George Goggeye

In a down economy, casinos must stretch every marketing dollar. With concert entertainment being the largest component of many marketing budgets, it is critical that a casino maximize the value of its entertainment buyer. There are two overarching issues to evaluate when choosing a talent buyer.

ISSUE #1: *Does the talent buyer possess the tools for recommending ideal attractions and procuring them at the most favorable terms? In a talent negotiation, talent agents enjoy a significant tactical advantage unless the buyer possesses three key attributes: (a) strong personal relationships, (b) buying power, and (c) deep concert industry knowledge and experience.*

Strong Personal Relationships

The Basics: A good talent buyer knows the key industry players (e.g., talent agents and managers) on a personal basis; he/she runs in the same circles and regularly meets with them in person. This is very difficult for an in-house buyer to achieve. Aside from geographical challenges, in-house buyers generally come from the gaming world while talent agents live in the entertainment world – two industries with diverse business practices that tangentially overlap. As for outsourced buyers, while nice to have them within arm's reach, their time is actually best spent in L.A. or Nashville, nurturing the relationships that provide casinos greater access to, and more favorable pricing on, concert attractions.

By Way of Example: NIGA is based in Washington D.C., where it is most effective in fostering the critical political relationships required for furthering the mission of Indian gaming. Similarly, talent buyers are most effective in “lobbying” the concert industry from Los Angeles or Nashville.

Bottom Line: Without such personal relationships, favors and price breaks are difficult to come by. And if a casino thinks it is getting a great deal from an in-house talent buyer, perhaps it should think twice.

Buying Power

The Basics: Talent agents prefer buyers who buy in quantity for multiple venues. Why? Because volume sales translate into less work for the agent and more opportunities for the attractions, which in turn can translate into lower artist fees. Stand-alone venues generally do not enjoy this advantage.

By Way of Example: Common business practice across industries dictates that volume begets discounts. For example, if a casino is buying blackjack tables, chances are that the more it buys, the less it pays per unit.

Bottom Line: Unless a casino purchases an extraordinarily large volume of entertainment, it is probably missing out on opportunities by not using an outsourced talent buyer that represents multiple venues.

Deep Concert Industry Experience

The Basics: A good talent buyer has a breadth of experience that extends beyond the casino world. In having diverse concert industry experience, the buyer can effectively place himself in the casino's shoes and offer valuable advice. Such a buyer likely has a refined sense for identifying bad deals, detecting an agent's bluff, and knowing how far to push the envelope in a negotiation.

By Way of Example: Have you ever walked into an antique shop and wondered whether an item is authentic or fake? Does the sticker price reflect the item's true value? Imagine you purchased the item for \$500, only to find out later that its true value is \$200. That's where deep industry experience comes in handy.

Bottom Line: Pressure-test the buyer before committing. Ask the tough questions. While the talent buyer may be a very nice guy, his/her true capabilities cannot be known without probing. The alternative can be costly.

ISSUE #2: *Is the talent buyer able to put aside his/her own best interests in favor of the casino's best interest? This issue, while heavily charged with skepticism, must not be overlooked as it poses perhaps the greatest risk to using an outsourced talent buyer. The relationship between a casino and a talent buyer should be one of a fiduciary nature, similar to that between a doctor and a patient, or an attorney and a client.*

Percentage-Based Compensation Structure

Pitfalls: Talent buyers are traditionally compensated based on a percentage of the artist fee. Now put yourself in the talent buyer's shoes. Would the talent buyer rather the casino client pay \$50,000 or \$60,000 for an act? On the one hand, the talent buyer has a responsibility to procure the maximum benefit for the client; on the flip side, by negotiating down the artist fee, the talent buyer in essence negotiates down his/her own fee. As counterintuitive as this may sound, at some point, human nature presumably kicks in as the talent buyer subconsciously wonders whether it is worth the trouble of negotiating down the artist fee, which would result in a lower fee.

By Way of Example: In a real estate transaction, it is the duty of the buyer's agent to negotiate the lowest price for the

buyer. However, this conflicts with the fundamental notion that a lower purchase price yields a lower agent commission. Furthermore, a lower offer increases the likelihood that the seller rejects and the deal falls through. So putting the concept of duty aside, the buyer's agent has little incentive to negotiate a lower price if he/she knows that the buyer is willing to pay more.

Bottom Line: Be cautious of the inherent conflict in using an outsourced entertainment buyer that is paid on a percentage basis.

Limited Talent Buyer Interaction

Pitfalls: While the talent buyer's primary role is generally seen as providing access to ideal attractions at favorable prices, the casino-buyer relationship warrants more of a "partnership" approach, which is neglected by many talent buyers. An outsourced talent buyer should operate as a team player by regularly and frequently attending shows, assisting in artist relations, meeting in person with casino executives, and participating in marketing strategy sessions.

By Way of Example: Imagine you are looking to purchase a house. Your real estate agent makes a few calls to set up appointments for you, but he/she never takes the time to tour the homes with you. Ironically, when the time comes to place an offer and the prospect of closing a sale becomes more promising, the agent is conveniently available to handle the paperwork in hopes of earning a hefty commission.

Bottom Line: Outsourced talent buyers are not cheap. Make sure you are getting a true extension of your casino staff – an entity that is genuinely willing to put in the time and effort to enhance your entertainment program and save the casino money.

Buy-Sell Deals

Pitfalls: Beware of deals in which the casino's performance contract is with the talent buyer rather than directly with the attraction. In such deals (sometimes referred to as "buy-sell" contracts), the talent buyer personally contracts with the attraction and resells it to the casino at an undisclosed profit margin. In fact, some talent buyers will additionally charge a fee equal to 10% of the marked-up price, resulting in an aggregate buyer fee that can easily exceed 30% of the artist fee.

By Way of Example: Imagine you fall in love with a particular house and you are willing to pay a huge premium if necessary to buy it. Knowing this, your real estate agent concocts a plan to purchase the house first, resell it to you at a higher price, and then take a commission based on the

inflated price. As ridiculous as this may sound, this regularly happens in the talent buying business.

Bottom Line: Avoid working with talent buyers who attempt to have you contract with the buyer himself rather than directly with the attraction. These talent buyers are generally looking for an angle to earn higher fees at your expense.

Headline entertainment is a very effective tool for marketing the casino, bringing in players, and building good will. But as long as a casino is willing to spend the big bucks to accomplish this, it is worth taking precautions for maximizing its return on investment. ♣

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