Who Buys Luxury Suites?

25 major markets and 2,154 suite clients provide answers to your questions.

Who buys suites? What business categories buy suites? What is the sales volume of a typical company that leases a suite? How long are suite contracts? How much money do venues make from luxury suite sales?

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Answers to these and many other questions are available to you as a result of a research project conducted by The Ohio University Center for Sports Administration, Turnkey Sports and Entertainment, Full House Entertainment Database Marketing, and the Association of Luxury Suite Directors. The partnership between academia and industry was formed to provide suite sales professionals and facility managers an increased understanding of luxury suite ownership. The results stem from analyzing the Standard Industrial Classification (SIC)/industry code and other pertinent information for 2,154 suite clients provided by participating teams and venues from strategically selected sports franchises and venues in 25 major markets. Jim Kahler, Executive Director of the Center for Sports Administration at Ohio University, also presented this information at the 17th Annual ALSD Conference and Tradeshow in Phoenix. Turnkey Sports and Entertainment used their FanTrak software to conduct a survey of ALSD members suite and premium seating information, Full House Entertainment Database Marketing generated the SIC/industry code list and associated information for the suite clients, and the raw data was analyzed by Heather Lawrence, Assistant Professor at Ohio University.

Highlights from the study include:

a) 343 different SIC/industry codes were represented in the sample of 2,154 suite clients

b) 39.4% of all suite owners were represented within the top 10 SIC/industry codes

c) 11.2% of all suite owners were represented in SIC/industry codes 11-21

d) The top industry owning luxury suites was banks/bank holding companies

e) The second largest SIC/industry code for suite ownership was attorneys/legal services

f) Over $50 million was the largest sales volume/asset size category represented in the top 10 SIC/industry codes (partially explained by the fact that the analysis used corporate asset size for banks as opposed to the annual sales volume figures used for other industries)

g) Luxury suite clients were 4.4 times more likely to be a headquarters or branch of a larger company than the general business population in the United States

h) The average luxury suite revenue at ALSD member venues was $9,898,945 in 2006.

It is the hope of all involved in this project that the following results provide valuable information that can be integrated into existing and new suite sales strategies for teams and venues. So, without further ado, we provide the results of the study.

Procedures

• Strategically selected teams and venues from the top 50 media markets nationwide were invited to participate.

• 25 markets were represented in the study and all four major leagues (NFL, NBA, MLB, NHL).

• The sample of suite owners (n = 2,154) was then analyzed using the master business database from infoUSA to determine;
   • Standard Industrial Classification (SIC)/industry code
   • Sales volume/asset size
   • Business status
   • Year established of each suite client

Key Findings

343 SIC codes were represented by the 1,956 client matches.

Breakdown by Industry

- 39% — Top 10 Industries
- 11% — Industries 11-21
- 50% — Remaining Industries
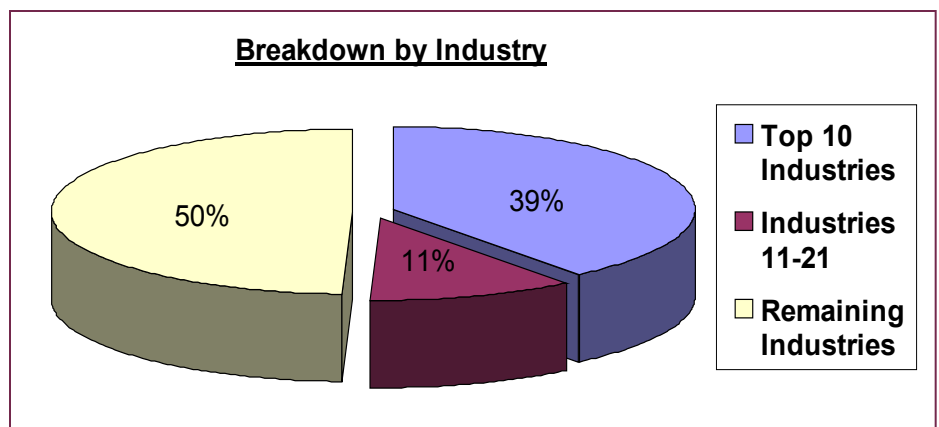
Top Categories
Industries #11-21
- #11 - Beer & Liquor
- #12 - Car Dealers
- #13 - Doctors Offices
- #14 – Casinos
- #15 - Business Services
- #16 - Mortgage Brokers
- #17 - Real Estate Developers
- #18 - Restaurants & Caterers
- #19 - Holding Companies
- #20 - Title Companies
- #21 – Plumbing, Heating & A/C

Other Top Categories
- Food & Beverage Products (58 suites)
- Industrial /Commercial Machinery (36 suites)
- Printers & Publishers (25 suites)
- Fabricated Metal Products (24 suites)
- Chemicals & Allied Products (22 suites)

Unique Categories
- Colleges & Universities (5 suites)
- Furniture Stores (4 suites)
- Dairy Products (3 suites)
- Car Rentals (3 suites)
- Dog & Cat Food (2 suites)

The Top Ten

Rank	Category	# Suite Owners/ Percent	Average per major market	Sales of $5M or less	Sales > $50M
10	Telecommunications	38 / 2%	1.5	18%	26%
9	Real Estate Agencies & Managers	40 / 2.1%	1.6	35%	5%
8	Accounting & Auditing	44 / 2.3%	1.8	20%	29%
7	Management Consulting Services	44 / 2.3%	1.8	25%	23%
6	General Contractors & Home Builders	45 / 2.4%	1.875	18%	18%
5	Finance & Investments	81 / 4.3%	3.4	32%	11%
4	Insurance	82 / 4.35%	3.4	29%	14%
3	*Radio, Newspaper & Television	109 / 5.8%	4.5	12%	22%
2	Attorneys/ Legal Services	129 / 6.8%	5.4	51%	3%
1	Banks & Bank Holding Companies	131 / 6.8%	5.5	*5%	*64%

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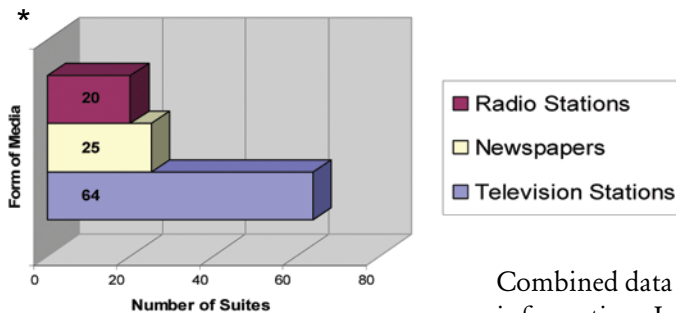
Combined data from local and national holding information. In the United States there are 704 Banks with Revenues > $50 Million. The sales volumes for this category is asset size. There is an assumption that small banks—revenues of < $10M—represent 105 of the total suite ownership study.

Market Penetration

Top 10 SIC's
- 743 out of 441,955 owned suites (0.168%)
- Television/radio/newspaper
  - 109 out of 6,111 owned suites (1.8%)
- Banks/bank holding companies
  - 131 out of 24,781 owned suites (0.5%).
- Finance/investments
  - 81 out of 33,650 owned suites (0.24%)
- Telecommunications
  - 38 out of 14,377 owned suites (0.26%).

The top 10 industry segments were also analyzed based on market penetration. To establish the universe of prospects, the top 10 SIC codes were used to search the infoUSA database in the same 25 markets. The universe of prospects generated within the top 10 industries was 441,955. The greatest market penetration was found in the category of television/radio/newspaper where results indicated that of the 6,111 corporations in this grouping, 109 owned suites for a market penetration of 1.8%. The universe of prospects for banks/bank holding companies totaled 24,781; the study data indicated 131 suites owners within this category for a market penetration of 0.5%. Other SIC codes above 0.2% market penetration included finance/investments (universe of prospects, 33,650; suite ownership, 81; market penetration, 0.24%) and telecommunications (universe of prospects, 14,377; suite ownership, 38; market penetration, 0.26%).

Overall, a large portion (186,104, 44.8%) of the matched universe of prospects fell into the less than $500,000 category compared to only 13 (2.7%) of the suite owners. The second largest category for the universe of prospects was $500,000 to $1 million with 102,430 matches representing 24.6% of the prospect universe. Within the sample, 57 suites were owned by corporations in this category resulting in a market penetration of 0.06%. The greatest market penetration was found in those corporations with sales volume/asset size over $50 million. The universe of prospects was 1,597 (0.4%) and there were 92 (19.5%) suite owners in this category for a market penetration of (5.8%). Nationally, there are fewer corporations in the upper revenue groups which may account for the greater market penetration. There is also some success in market penetration in the $20 million to $50 million category. Of the 2,870 prospects with sales volume/asset size between $20 million and $50 million, 70 currently own suites for a 2.4% market penetration rate.

Annual Sales/Suite Owners in Top 10 Industries

- 26% with Sales > $50M
- 9.5% with Sales of $20-50M
- 6% with Sales of $10-20M
- 6.9% with Sales of $5-10M
- 22% with Sales < $5M

Market Penetration by Sales

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- 6% with Sales of $10-20M
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The data conveys that apparently teams and venues are having the greatest success selling suites to companies occupying the larger sales volume categories. Of the 441,955 SIC code matches, 19,103 (4.3%) had an unknown sales volume/asset size and banks were removed (24,781). 16% of suite holders over 50 million, but only 0.4% of universe over 50 million.

Headquarters

- 49% of Suite Owners/Represent Headquarter or Branch Locations
- Of the 14million companies in the infoUSA database, only 11% are headquarters.

A better name might be "Linkage" which represents the family tree of a company: HQ, Subsidiary HQ, Branch.

Of the original 1,956 suite clients, 954 (48.8%) companies were matched as having linkage. In the master infoUSA database of 14 million companies, only 11% of the businesses demonstrate linkage. Thus, suite buyers seem to be more likely to demonstrate linkage than the general corporate population.

Established Ownership

- 79% of Suite Owners established prior to 1990
- 56% of Suite Owners established prior to 1970
- 34% of Suite Owners established prior to 1940

816 of the matches had an available year (those who do not are not referenced) established for the company.

The Breakdown:

2000-Current	= 112
1990-1999	= 58
1980-1989	= 107
1970-1979	= 80
1960-1969	= 94
1950-1959	= 54
1940-1949	= 35
Prior to 1940	= 27

Using Database Research
- SIC Strategies
    - Averages per market
    - Compare with existing ownership categories
    - Targeting top industries
- Market Penetration Strategies
    - Set market penetration goals within a category
    - Set market penetration goals by sales volume/asset size

In the broadest sense, a team or venue might use these results to discern the approximate average number of suites that should be owned by a particular business category. Averages can be determined by dividing suite ownership rates by SIC code, then by the 25 markets that participated in the study so that averages can be determined. For example, 131 attorneys/legal services were represented in this study. By dividing 131 by the 25 markets, an average per team or venue ownership is established of five attorneys/legal service suite owners. Although markets vary greatly, this approach might give a simple perspective to a team or venue looking to produce some general comparisons to other markets. This also can be a first-step before more complicated database marketing techniques are used.

The insurance industry has the most potential for growth: Only 82 insurance corporations from a universe of 58,296 prospects were found to currently own suites, indicating a penetration of only 0.1%. Accomplishing even 1% penetration (throughout the 25 markets) would result in an additional 500 insurance corporations becoming suite owners or an average of 20 new suite clients per market. Establishing organizational goals such as doubling or tripling existing market penetration within specific industry categories are measurable, targeted, and realistic.

Practical Example
- Analyze the top SIC codes within current ownership and divide clients into sales volume/asset size categories.

- Then, using the results from this study (or establishing a market universe of prospects), sales goals could be set for market penetration by SIC code and sales volume/asset size.

- If a team found that their penetration within their market in the over $50 million category is only 2% within their top categories, a goal could be set to increase penetration to 5% or 6%.

- Results in more efficient prospective client targeting and greater return on time/effort invested.

An added benefit of targeting corporations in the largest category of revenue is that it could be assumed they have a larger budget for client entrainment. Sales staff also can confirm, based on this research, that their competitors within the same sales volume/asset size category are using luxury suites to entertain clients and reward their employees.

Recommendations
- Conduct the necessary research to understand current suite ownership and then increase market penetration within the top industries.

- Carefully examine industries that rank high across the country (in this case, from within the 25 markets) to compare and contrast with current suite ownership.

- Many small businesses display characteristics that are consistent with suite ownership, such as high profit margins and linkage. Small business should not be discounted as prospects until all the information about them is known.

- Try data mining and direct marketing campaigns as part of suite sales strategy.