## **CRAIN'S DETROIT BUSINESS**

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DETROIT PISTONS BUSINESS SCORECARD IMPROVES

By Bill Shea



Photo by Duane Burleson / Associated Press
Detroit Pistons owner Tom Gores during the first half of an NBA basketball game against the Orlando
Magic in March. A winning record and playoff berth have improved the team's per-game revenue totals.

The **Detroit Pistons** made the playoffs this year for the first time in seven seasons, and from a business perspective, they were profitable with an improving financial outlook. A winning record and playoff berth have improved the team's per-game revenue totals. At their nadir a few years ago, the Pistons were generating about \$600,000 per game compared to the **NBA** average of about \$1 million. Now they're at about \$750,000 per game, a figure that includes all ticket and food and beverage sales, but not merchandise revenue.

Over 41 home games, that represents about \$6 million in new game-day revenue growth for the season. With merchandise and ancillary sales such as corporate sponsorships, the overall new revenue total is likely higher. The Pistons had \$154 million in total revenue for the 2014-15 season, Forbes.com estimated in January, and

that number is expected to be higher when the financial site calculates the totals for this season next year.

"I feel very strongly our game-day revenue has picked up dramatically," said Dennis Mannion, president of the Pistons and **Palace Sports & Entertainment**. And it likely will pick up even more in 2016-17 with a to-be-determined ticket price increase that Mannion said will be "modest."

## PALACE HEADCOUNT

Here is the Detroit Pistons' annual per-game attendance average dating to their 2003-04 NBA championship, with the team's record and attendance rank in the 30-team league in parentheses:

**2014-15:** 15,266 (32-50, 26th)

2015-16: 16,515 (44-38, 25th)

**2013-14:** 15,005 (29-53, 26th)

**2012-13:** 14,782 (29-53, 28th)

**2011-12:** 14,413 (25-41, 28th)

**2010-11:** 16,660 (30-52, 18th)

**2009-10:** 18,751 (27-55, 8th)

**2008-09:** 21,877 (39-43, 1st)

2007-08: 22,076 (59-23, 1st)

2006-07: 22,076 (53-29, 2nd)

2005-06: 22,076 (64-18, 1st)

2004-05: 22,076 (54-28, 1st)

2003-04: 21,290 (54-28, 1st)

Source: ESPN.com

To boost revenue, the Pistons also will continue to refine their use of dynamic ticket pricing, a real-time digital technology that uses software that measures 20 factors to determine the best market price (for the team) of single-game tickets.

Attendance improved modestly this season, to 16,515 per game over 41 home games at the 21,231-seat Palace of Auburn Hills. That ranked 25th in the 30-team NBA and was an improvement of more than 1,200 per game over the previous season. When the

Pistons win, they lead the league in attendance, something they did from 2003-09 (except for finishing second in 2006-07).

In one measure of renewed fan interest in the Pistons, Mannion said Detroit sold 30 percent more tickets for its first-round playoffs this year than it did for its last postseason berth, in 2009. Unfortunately for the Pistons, the 2009 and 2016 first rounds had the same result: A sweep at the hands of the LeBron James-led **Cleveland Cavaliers**. "It had been in so many years (in the playoffs), fans stopped going to first round in 2009," Mannion said. Losing to the Cavs in 2009 ended a run of eight straight seasons in the playoffs, and attendance went from among the best in the NBA to among the worst — triggering the revenue hemorrhaging that the team has slowly begun to stanch.

This year, Detroit sold more than 22,000 tickets for its two playoff games at the Palace.

Season tickets are the lifeblood of an NBA team's local revenue, and the Pistons report positive growth in the sales of full-season tickets and partial game packages that, when sales are combined, create the equivalent of a full- season ticket sale.

The team has been adding about 1,000 season tickets since Tom Gores bought the club in 2011 for \$325 million. This season, the Pistons were at 6,500 season tickets sold, and Mannion expects to hit 8,500 next season.

"That's a good, strong number," he said. "We want to get to 10,000. That assures you of a big gate."

More than 600 new full-season season tickets have been sold for next season, Mannion said, and the team's renewal rate for current season ticket holders is tracking at more than 90 percent.

The first two of the three courtside season ticket types — they sell for \$50,000 — were sold out this season, and Mannion expects all the on-court seats to sell out in 2016-17.

Also telling: Detroit was in the top five in the league for group ticket sales the past two seasons and expects to be in the top three after the accounting is finished for 2015-16. The team had about 3,300 group sales tickets sold per game.

Merchandise sales were up 44 percent over last season, Mannion said, but he declined to disclose the revenue totals. Typically, merchandise sales account for 5 percent or less of an NBA team's total revenue, but such sales are considered a measure of the team's financial health — an up-and-coming club will see an uptick in retail sales.

The team retains more than 80 percent of its corporate sponsors each season, Mannion said.

Mannion predicts more companies will want to sign on or extend their sponsorship deals with the Pistons for next season.

"I see that as a major, major growth area for us," he said.

Additionally, the team continues to seek naming-rights sponsors for its north and east pavilions, its various arena clubs, its training center and even parking lots.

On the broadcast front, the Pistons are focused on linking TV and digital sponsorships, which Mannion said were done piecemeal in the past. He also said he wants to accelerate broadcast sales with categories such as auto and health care.

The team currently has a 10-year broadcast-rights deal with Southfield-based **Fox Sports Detroit** that pays the Pistons about \$25 million per season. Its expiration date hasn't been disclosed, but it's believed to be around 2020.

Mannion praised the team's relationship with FSD as "fantastic," but said it makes good business sense to investigate possible alternatives when it comes time to renew. Pistons broadcast ratings were up 8.2 percent this season.

Detroit also has seen significant growth on its social media platforms: The team's Twitter account grew from 58,000 followers in 2012 to well over 500,000 now, while its number of Facebook followers has grown to more than 1.7 million.

Mannion said the Pistons are ninth in the NBA in social media engagements per 1,000 followers.

"You've got to be relevant before you can build a relationship with your fans. Once you're relevant, you can grow revenue," he said.

The improving on-court product means the Pistons will rely less on gimmicks to get people into the seats. Fans will notice what's presented to them at games will transition from entertainment such as the dance teams to more of what's happening on the court, Mannion said.

"We're moving toward more of a basketball-based presentation," he said, noting that statistics display boards were added for the playoffs.

Gores has invested \$40 million on improvements at the Palace over the past three years, and the upgrades include a bevy of new technologies such as better Wi-Fi and cellphone service, and digital applications that send targeted advertising, such as food deals, directly to fans' mobile devices during games. The team is still learning how best to deploy such things, including in-seat orders and bathroom wait-line apps.

A likely future option will be a "mobile wallet" that allows fans to pay for everything with a phone app.

As for physical infrastructure, the Palace is in the middle of the \$6 million, three-year replacement of all of its seats by 2018, and Mannion said the highest tier of suites

between the foul lines will be refreshed during the offseason while management considers what to do with the third level of seating.

The Pistons, who have seen Gores overhaul their business operations, were estimated by Forbes in January to be worth \$850 million, a \$40 million increase over 2015 and a \$400 million improvement over 2014. The NBA's most valuable franchise, according to Forbes, is the **New York Knicks** at \$3 billion. The average value of an NBA team is \$1.25 billion.

Local sports industry insiders praise what the Pistons are doing, both off the court and with coach Stan Van Gundy and young players such as Andre Drummond.

"They are on the right track, and did all the right things in the down years," said Mike Dietz, president and director of **Dietz Sports & Entertainment** in Farmington Hills.

"A better team with a great atmosphere, they're going to sell a lot more tickets. The casual fan definitely starts coming when they're winning."