

# The Bellagio Arena

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## Executive Summary

The Bellagio is an AAA Five Diamond Award-winning hotel and casino located in Las Vegas and, as the corporate headquarters for MGM Resorts International, it has become one of the most profitable casino/resorts in the nation. The recognition of this phenomenal company has preceded it since it began in 1992, and it continues to flourish in revenue and reputation. This illustrious resort has become more popular due to the elegant features and attractions offered at the hotel. The marketing team has discovered another strategy for the Bellagio to become even more acknowledged. This proposal has investigated the feasibility of the Bellagio becoming the corporate sponsor of a professional athletic team and stadium. The information provided in this report will prove that the Bellagio should consider becoming the corporate sponsor of the Las Vegas Cobras, because it will enhance the popularity and generate substantial revenue for the company.

Currently, Las Vegas does not have an official sports team or a sponsored stadium; as a result, the Bellagio will be the very first sponsor of a stadium that will be built in Las Vegas, one of the most renowned cities in the country. This will give the Bellagio exclusive marketing availability inside and outside of the corporate stadium. This integration of basketball and the Bellagio will be tremendously beneficial for both the city of Las Vegas and the Bellagio resort. Revenue would increase significantly as a result of the new tourism and games that would be held in the Bellagio Arena. With the rights to the stadium, the company can utilize any spaces necessary for marketing and advertising, which will also generate revenue from other corporations. Additionally, since the stadium will be designed in a similar manner as the hotel, the planned attractions and features of the stadium will also assist in producing tourism and attract people to visit the extraordinary arena.

Furthermore, becoming the corporate sponsor of the Bellagio arena is not very costly, considering the potential profits received from the marketing strategies and advertising revenues that would be generated. The cost of having the company name on the stadium will only cost \$15 million for more than 20 years, but the company will be able to recover that investment within the first five years. There will be many basketball games, events, hotels, and many other features that will generate profit for the company; therefore, the company has discovered an alternative to expansion and advertising. In brief, the feasibility of the Bellagio becoming the corporate sponsor of the local basketball facility has been analyzed and evaluated throughout this report.

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## Introduction

For many years, the Bellagio has been known as one of the most stunning, luxurious hotels in the country; however, as the corporate marketing team, we have decided that it is time to expand the company name to another level. In this business proposal, there will be accurate information and evaluated data that illustrates the benefits of this company becoming the corporate sponsor of a professional athletic team, and having the marketing rights of the stadium. Since our company is located in Las Vegas, one of the busiest cities in the country, we have decided to develop and sponsor the stadium for a local basketball team, the Las Vegas Cobras. Moreover, the stadium will be named after our company, and the Bellagio will control all of the advertising rights within the stadium. Through this report, our research will demonstrate the utilization and benefits of advertising in the stadium.

## The Bellagio: Then and Now

In 1992, Steve Wynn, a casino/resort developer, bought an old property called Dunes to tear it down and rebuild it into a successful business. Fortunately, in 1998 Wynn opened his \$1.6 billion casino known as the Bellagio. Today, the Bellagio is acknowledged as one of the most popular casino/resorts in the world. This resort, however, is also considered to be very pricy and may not be affordable for people with average incomes; many of the features the Bellagio offers explain why the cost is significantly high. For example, the price of the hotel stay automatically includes concierge service and a limo ride to the airport. As a result, the cost of two adults in the least expensive room is \$400 per night.

The Bellagio may be costly, but that does not stop Las Vegas' tourists from experiencing a once in a lifetime opportunity to live in paradise. Moreover, there are also those who love the experience so much they try to make it an annual trip. The complimentary concierge and limo ride are not the only features that make the Bellagio a remarkable palace; the famous resort is also known for its prominent dancing fountains and the Cirque du Soleil production "O." The resort has over 1,000 fountains that dance to music while shooting water 250 feet into the air and moving to over 4,500 lights around the fountains. Furthermore, the Cirque du Soleil, meaning Circus of the Sun, premiered its tenth production at the Bellagio casino/resort. "O" is performed in a special theatre that the production company and Wynn financed; they spent \$100 million on the water theatre. It consists of 1,800 seats centered on a 1.5 million-gallon tank of water. The show took nearly a total of 400,000 man-hours of preproduction and production work to perfect the performance. In the



present day, the show is still performed and loved by the audiences of the world.

Today, the Bellagio is one of the most successful casino/resorts on the Las Vegas Strip. It was purchased from Wynn in 2000, and the Mirage Resort merged with MGM Grand Inc., making MGM Grand the largest resort company in the world. In 2003, the Bellagio became the first Las Vegas resort to win the prestigious AAA Five Diamond Award; the hotel has consistently won the award for the last 6 years and still holds the distinction. This proves that this resort can expand into something more.

## About Las Vegas

Las Vegas is the most popular city in Nevada, and thousands of people visit every day to gamble, party, or just have a good vacation. Known as the Entertainment Capital of the World, Las Vegas is a place where anyone can find a passion and enjoy themselves by indulging in entertainment and other spectacular activities. The city is known all around the world for its magical lights that are all around the Strip. It also is home to many parks, including the Las Vegas Springs Preserve and Floyd Lamb State Park. The only major attraction that Las Vegas is missing is a professional sports team.

MGM Grand is a huge part of Las Vegas because they own several of the casinos and resorts located on the Strip. They own the Bellagio and other resorts such as Circus Circus, the Mirage, and New York New York. Today, the company is growing and becoming more compliable with other businesses to enhance their success. With MGM Grand and the Bellagio collaborating with a professional basketball team in Las Vegas, the city, company, and National Basketball Association will become more successful and make thousands of tourists and sport fans interested. The Bellagio will hold stadium rights and the formal name will be The Bellagio Arena. This will draw more tourists to the city, bringing in more revenue and creating new basketball fans.

Las Vegas is a perfect city to add the newest NBA team and create a whole new type of atmosphere in Las Vegas. Currently, Las Vegas is not the home of any professional sports team. They do have the Las Vegas 51s, a minor league baseball team that is the AAA farm club of the Toronto Blue Jays. There are two theories of why Las Vegas does not own a team which include concerns about legal sports betting and competition for the entertainment dollar. However, we can easily deal with and control these minor problems. Our stadium will control all internal bets and use a fair system. We will also prevent any other bets inside our facility in order to maintain legal guidelines and safety precautions. Furthermore, our company and the incoming professional basketball team will be a complement to each other. The Cobras will not take the people away from Las Vegas' normal festivities; instead, they will come together with the



Bellagio to combine the atmosphere of Las Vegas with the excitement of a NBA team inside one arena. Ultimately, Sin City would be a perfect home for the Cobras.

## **Naming Rights Information**

The naming rights of the Cobras and their arena are very important to the Bellagio. We are willing to offer \$15 million over 20 years for the right to put our name on the arena. This allows us to control the marketing and advertising that occurs within the arena. Not only will the name of our arena make more fans aware of the Bellagio itself, but the special features within the arena are going to spark excitement all around the city. The benefits of having the Bellagio Arena in Las Vegas are countless.

With our name on the arena, we would also help promote the growth and development of the National Basketball Association. The addition of the Cobras in Las Vegas will extend the fan-base of basketball by 10%. This is very important to the NBA because they are very active in promoting healthy lifestyles to children and adults who admire basketball. The main goal of bringing the Cobras and the Bellagio together is to enhance the city of Las Vegas altogether. By owning a professional sports team, Las Vegas will become more universal to meeting certain needs of today's sports fans. It gives families another reason and event they can enjoy in the great city. Utilizing the Bellagio, Las Vegas, and the NBA to create a new addition to the city will generate thousands of jobs, help expand the welfare of the city, and bring thousands of new faces to experience Las Vegas in a way they never expected.

## **Marketing Strategies within the Arena**

MGM Resorts International has innovative ideas to incorporate the Bellagio and MGM Grand through marketing within the arena. The Bellagio arena will have a similar interior design compared to the way the Bellagio Hotel is designed. This includes the same marble floors, Fiori de Como chandelier, gold color scheme, and fountains. In front of the arena, there will be a smaller version of the famous fountains of the Bellagio. People come from all over the world to Las Vegas and become mesmerized when they see these grand fountains because of the choreographed water show, which includes lights and music. The fountains in front of the arena will cost roughly \$15 million. These fountains will be the attraction associated with the Bellagio arena. People will come to the games and remember those fountains for the rest of their lives.



This is the famous fountain located at the Bellagio. MGM envisions a small version of this in front of the Bellagio Arena of the Las Vegas Cobras.

The Bellagio arena will be the first arena to include gambling at a sports venue. It is well known that in the city of Las Vegas, gambling is completely legal. With the NBA's approval, the arena will include some slot machines and a sports betting venue. Around the arena, about 20-30 slot machines will advertise the Las Vegas Cobras' logo. The sports betting venue will be a section in the arena where people can make bets on any game. This will generate profit for the arena as well as MGM Resorts International. Twenty percent of the profit will go to the NBA, 30 percent will go to the company of MGM, and the other 50 percent will go to the arena and the franchise of the Las Vegas Cobras. The venue will have some restrictions such as 21 and older to place a bet and a \$50 minimum bet. The venue will be named the Las Vegas Cobras Race & Sports Book and be sectioned off away from minors.

The Bellagio is going to host the Cobra Club in the arena. This will be very similar to the Verve Club in U.S. Airways arena, where club seats are often called premium seats. This club area will be sectioned off up in the arena overlooking the court. The tickets will cost anywhere from \$35 to \$100 depending on the game and team success. The club area will include a luxury bar called the Fontana Bar, which is also in the Bellagio resort. There will be lounge seats as well as sport seats. The cost of food will be included with the price of the ticket and be provided by the Bellagio. The club area will have waiters or waitresses that will serve the food and drinks to individuals watching the game. Each leather seat will be more comfortable than your average sports arena seat. The Cobra Club will attract many young people because of the fun atmosphere. A rock band will be playing before the game, at halftime, and after the game to enhance the fun and exciting atmosphere within the club. The lounge will be in Cobra colors, which are black and gold. There will be some advertising for events in the strip at MGM-owned hotels. The club area will have a maximum capacity of 200 people and will be the hot spot in the Bellagio Arena. The area could be rented out by other companies for particular games or sold as individual seats. The Cobra Club will cost an estimated \$1.5 million but will generate a significant amount of profit per season.



This is the Fontana Bar at the Bellagio. The Cobra Club's bar will be designed based on this bar and theme.

As well as having the Cobra Club, there will be 100 different private luxury suites in the arena. Luxury suites, also called skyboxes or executive suites, will be sold to different companies in the Las Vegas area or sold to group parties. On average in the NBA, luxury suites produce gross revenue of about \$149,975,179 per season (Badenhausen, 2000). The revenue and profit capability is enormous and would thrive in the city of Las Vegas because of the many different companies located in the metropolitan area. Different companies buy luxury suites for the basketball season to maintain relationships with their clients. In 2007, it was found that 61% of NBA venues had over 90% of their luxury suites owned by corporations (Lewis & Cat Le, 2006).

This aspect of a sport arena is crucial to keep the team in a particular city. For example, the Sacramento Kings are planning to move to Anaheim in a couple of years due to the few spaces of luxury boxes and the fact that no companies in that small market want to buy any spaces available. This similar type of relocation has happened to the Charlotte Hornets and Seattle Supersonics as well. Another example is the New Jersey Nets, who were forced to move venues from the 29-suite Continental Arena in East Rutherford, New Jersey to the Prudential Center in Newark, because the Prudential Center's 76 suites are the largest out of any arena in the country (Brennan, 2007). MGM International Resorts understands that luxury suites are an important in keeping an NBA team significant and still running. Luxury suites have become the second-largest revenue generator in major league team sports, following television rights revenues (Wise & Meyer, 1997). This is because the profits from the luxury suites do not have to be shared with the NBA. MGM International Resorts realizes that the way the luxury seats are designed and handled will be a key variable in the Las Vegas Cobras' and the arena's success. The suites will be



leased to companies for \$115,000 per season on a five-year lease. Right now the NBA average is about \$113,000 per season (Farrey, 2008). The suites will include 20 seats, a bar with non-alcoholic and alcoholic beverages, a buffet, and a flat screen TV. The suites will have the same theme as the Bellagio Resort and will include advertisement for events at MGM owned hotels on the Las Vegas strip. It will be important to keep the customers happy with terrific service and food that fans will love. The food will be similar to the food that MGM provides in their resorts. The typical suite's buffet will include hot dogs, quesadillas (chicken or steak), tacos (chicken or steak), shrimp, and even lobster. Some other amenities that will come with the luxury suites are complimentary VIP parking spaces, a private entrance to the arena, a 15% discount on all Las Vegas Cobras merchandise, and a 10% discount at all MGM-owned resorts on the Las Vegas Strip.

MGM International Resorts plans on making the Bellagio Arena one of the most fun and fan-friendly arenas in the country. In order to do so, there needs to be a fun loving mascot, great halftime entertainment, and extremely welcoming employee service. The MGM plans on having the dance team perform during timeouts and commercial breaks, and promotional giveaways will be at halftime for all MGM resorts in Las Vegas. This will involve random fan involvement on things such as half court shots and trivia questions. USA Today rates Pepsi Arena of the Denver Nuggets as most fan-friendly (Boeck, 2005), and MGM plans on changing this. We want the fans to feel rewarded; therefore, all season ticket holders will get one free hotel room per season at any MGM owned resort (except on holidays or extremely busy tourism weekends). The NBA wants to make their events directed towards families therefore having an appealing mascot is important. The mascot of the Las Vegas Cobras will be named "Colby the Cobra." He will perform entertaining stunts and get the crowd excited.

The main advertisement in the arena regarding the Bellagio will be right on the jumbotron above the actual screen. This will be the only advertisement of the Bellagio from court's view. The other advertisements will be paid advertisements from other companies. Inside the arena (away from court view), there will be an MGM kiosk advertising all of the resorts and events at MGM owned hotels. MGM employees will work at this stand giving out promotions, and even giving the fans a chance to make a reservation at one of the hotels. There will be some discounts offered if you make a reservation at this kiosk depending on the season and the resort. The rest of the arena's advertisement spaces will be mainly bought off from other companies that we will introduce further on.

## **Marketing Strategies within the Bellagio and MGM Grand**

The Bellagio and MGM Grand are two of the most prestigious and visible hotels in Las Vegas. Using the popularity and brand recognition of these hotels will be an integral part in promoting the Las Vegas Cobras. Any type of advertising within these hotels will receive premium exposure to a myriad of people.

The Bellagio's marketing team has come up with several strategies to incorporate the

Las Vegas Cobras into their facilities. The team logo of the Las Vegas Cobras will be placed on various items throughout these hotels. The logo could be placed on things such as posters, shuttles, slot machines, and many other things. This will increase the brand recognition greatly and garner attention for the team and its upcoming inaugural season. The front desk at each hotel would also sell tickets to Las Vegas Cobras games. Guests staying at the hotel for more than 3 nights will have the option to purchase tickets that have a 10% discount. There are also plans to build a Las Vegas Cobras team store that would carry Las Vegas Cobras apparel and merchandise within the Bellagio hotel. Many hotel guests will become enamored with the team once they are caught up in the hype surrounding the team and will flock to the store to purchase merchandise. One advertising method that will open the door to an ideal target segment for the Las Vegas Cobras would be to post advertisements at the hotel's sports betting venue. Most people that pass through this venue will most likely already have an affinity for sports, so swaying these types of people should not be too difficult.



The Bellagio's marketing team is proud to unveil a few innovative marketing strategies. On game nights, the notorious fountains outside the Bellagio Hotel will combine with black and gold lights that will project the team logo on the water. At select tables in the hotel casino, games will be played with official Las Vegas Cobras playing cards. The deck of cards will have the team logo on the back of each card and various players on the team will be featured on the front. The goal for all these strategies is to build the brand recognition of the Las Vegas Cobras and create a buzz around the team. Hopefully, the Las Vegas

Cobras will become synonymous with the Bellagio and MGM brand and consumers will think of these entities as complements. MGM International Resorts wants Las Vegas Cobras games to become more than a sporting event; it wants the games to become a social event. The games will not take a back seat to any other event on weekends and even the most casual fan will feel inclined to attend a game just because it is the socially popular thing to do.

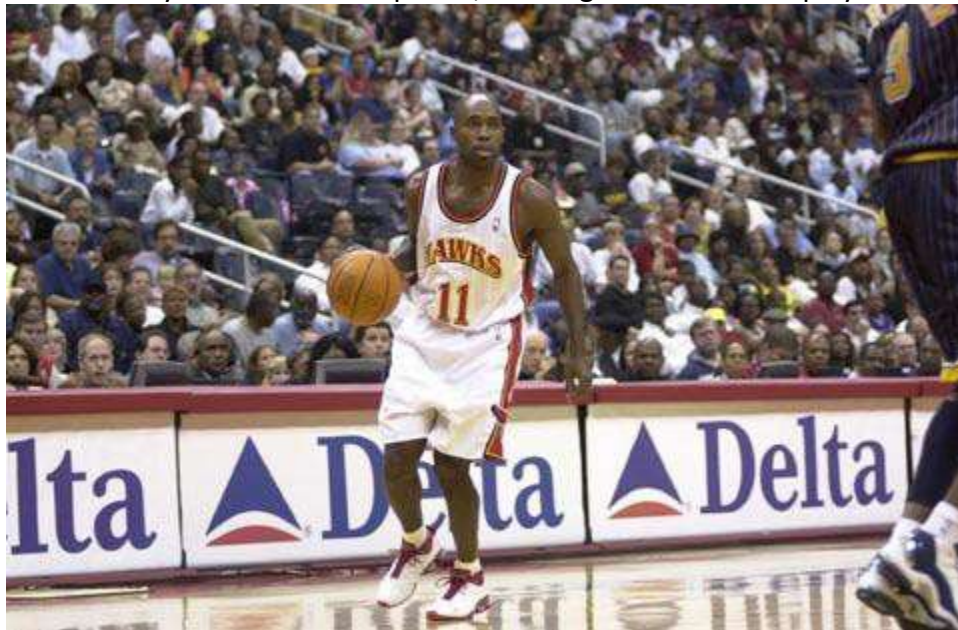
### Advertisement Opportunities for Various Companies

The advertising opportunities in the Bellagio Arena are limitless. With a brand new, state-of-the-art arena, there are ample advertising spaces within the arena to sell to other companies. Having a new NBA franchise in a location like Las Vegas will bring forth plenty of buzz as well as a high demand to advertise in the arena. Advertising space within the arena will be highly coveted. Since there will be so many companies flocking to get their company's name seen inside the arena, Bellagio will have their pick of which world-class companies they want advertised to their fans.



The Bellagio arena will feature more high-definition electronic advertisement than any other current NBA arena, making it an attractive option for companies that want to advertise. In order to avoid a conflict of interest, Bellagio arena will only partner with one company from each major industry. Anheuser-Busch will be the primary beer sponsor at the Bellagio Arena. The company will have its name on posters throughout the arena as well as concession stands that sell its beverages. Since the arena is agreeing to partner with Anheuser-Busch as the primary beer sponsor, they

will have to sign a fairly large and lucrative contract. This will bring in quite a bit of revenue to the team. Anheuser-Busch will also have the privilege of having the main advertisements of the Cobra Club. Waste Management will be the official garbage sponsor of the arena. They will have their name and logo on every trash can inside the arena. Bellagio Arena will partner with BMW to be the car company sponsor. Currently, the arena has plans to put on promotional events such as displaying a BMW car inside the arena and putting on a contest that will give away the BMW car to one lucky fan. The car will be displayed near the entrance of the arena so the majority of fans that enter the building will see the BMW car and brand. Pepsi will be the primary beverage sponsor throughout the arena. The arena will only carry Pepsi products at all of our concession stands. Pepsi will have a large digital advertisement on either the jumbo-tron or scoreboard. Additional advertising spaces within the arena include: rotational signage, plasma screens positioned at key audience traffic points, and large LED screen displays.



According to the Team Marketing Report, the current NBA teams with the highest fan cost index, which factors how much the average fan of the team will spend to attend a game, are the Los Angeles Lakers and the New York Knicks. These two teams have fans that respectively average \$479.48 and \$420.04 to attend a game. The Las Vegas Cobras are expected to become a NBA franchise with quite a large following; therefore, the Cobras expect to make around the same amount of money as the other top grossing franchises.

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