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Press Release

Strip Clubs Are A \$2.5 Billion Industry

17+ Million Americans Patronize Them

Tampa FL, February 13, 2014: Marketdata Enterprises, Inc., a leading independent market research publisher of “off-the-shelf” studies about service industries since 1979, has released a new 74-page report entitled: **The U.S. Strip Clubs Industry** . This is a new market study about a business that has become more mainstream and is trying to go upscale. The study examines the nature and operations of strip clubs and “gentlemen’s clubs” in America.

This is a mature \$2.5 billion business that represents about 3,500 clubs and 350,000 exotic dancers. Yes, the business can be a cash cow, but not all clubs are profitable and many hassles accompany the business—from hostile community opposition, zoning boards, local ordinances, long hours, and unpredictable dancers working as independent contractors.

Major Findings:

- Marketdata estimates that revenues of the 3,500 or so strip clubs in the U.S. reached \$2.47 billion last year, and we forecast 2.5% growth to \$2.53 billion this year. Average revenues per small local facility are estimated at \$471,000, but upscale clubs in metro areas such as Las Vegas can do \$50+ million. Sales are forecast to grow 2.5% per year to 2017.
- Profit margins can exceed 30% and a significant share of receipts are cash.
- The business model of classifying dancers as “independent contractors” enables clubs to stay flexible and avoid paying benefits. Dancers average \$40,000/year but some make \$100,000+.

- This is a two-tiered market where small clubs in suburban markets gross about \$471,000, via one facility. There are about 3,300 of them. On the other side are the large chains of upscale clubs with more amenities, elaborate sound and lighting systems, DJs, VIP rooms, etc. These number about 212 clubs and focus on major markets such as Dallas, Houston, Las Vegas, New York, and Atlanta. Public companies like Rick's Cabaret operate 40 clubs and did \$112 million in sales last year. This group of "gentlemen's clubs" captures 37% of total industry receipts.
- The industry is ripe for more consolidation and "roll-ups". Franchising is not a factor in this market.
- The big growth in the industry, a doubling in the number of clubs, took place in the 1990s, as the AIDS crisis forced patrons to seek out safer "near sex" alternatives. The upscale clubs began to appear on the scene about 10-12 years ago.
- It's estimated that 350,000 dancers work in this field. There have been recent efforts and progress to push for minimum wages for them, since clubs strictly dictate how and when they work.
- Investment capital required to open a strip club varies from \$100,000 - \$200,000 for a small local club of 3,000 sq. ft. in the suburbs to \$1-3 million for an upscale club in the city. Sales of alcoholic drinks represent about 40% of the total, and "service revenues" (dancer fees paid to work a shift, share of lap dance fees, cover charges) account for another 45%.

"Some in the industry have estimated this to be a \$15 billion business. However, this is only if one counts the earnings (tips) that the dancers take home. Most of this income does NOT flow through to the strip club itself. Nevertheless, strip clubs are a part of the American landscape and are accepted in the mainstream under the scope of adult entertainment. Aside from the challenges of local ordinances and legal issues, the industry competes with Internet porn, and has high turnover and unreliability of dancers, long hours and more. The business is not as easy as it sounds and is susceptible to downturns in the overall economy.", according to John LaRosa.

ABOUT THE REPORT

The U.S. Strip Clubs Industry, published in February 2014, is an independently researched “off-the-shelf” study. The study is 74 pages in length, has 11 tables, and costs \$995. It is also sold by individual chapters at lower cost. For the research, Marketdata interviewed market consultants, analyzed trade association and industry magazine data, blogs, and special surveys, combined with original Marketdata research. This study examines the strip clubs industry structure and history, revenues/growth from 1987-2017 F, key market trends and issues, effects of the recession, customer demographics, extensive operating ratios, and competitor profiles.

15 pp. Executive Overview available for \$99.

ABOUT MARKETDATA

Marketdata Enterprises, Inc., is a 35-year old independent market research and consulting firm that publishes market and industry studies covering a wide range of service businesses. John LaRosa is available for interviews (813-907-9090). A free report table of contents is available by mail, fax., email or the Web. Contact: Marketdata Enterprises, Inc., 8903 Regents Park Drive, Suite 120, Tampa, FL 33647, or see www.marketdataenterprises.com.

