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Money Walks: In Hard Times, Sports Is Bad for Business

By KEN BELSON

Baseball's deliberate pace and the increasingly lavish suites and box seats have made major league games an ideal setting for doing business. But for bankers, brokers and others in the financial industry, accepting an invitation to a game has fast become taboo.

Not only are companies cutting their entertainment budgets, but they are also facing increased scrutiny from regulators, shareholders and politicians — pressures that have forced workers even at healthy firms to avoid being seen at sporting events.

This is particularly true in New York, the capital of the financial industry, where the most expensive seats at the new Yankee Stadium and Citi Field, or at the Billie Jean King National Tennis Center in Queens, home of the United States Open, far exceed what many firms allow employees to accept from clients.

In better times, many companies casually enforced entertainment guidelines, which typically prohibit employees from accepting tickets worth more than $100. In the past year, however, as the government has spent hundreds of billions of dollars rescuing financial firms like Bank of America and Citi, companies have begun to enforce policies more strictly through ethics seminars, e-mail reminders and dismissals.

Corporate compliance departments and the Internal Revenue Service are also doing more to ensure that the business entertainment taking place at games is tangible, not tangential.

"The seats behind home plate, no one wants to be seen there," said John Lieberman, the former chairman of the entertainment and sports committee of the New York State Society of Certified Public Accountants. "There's a perception that you're throwing your money away. Politically, it's like car company executives taking private jets from Michigan to Washington."

Baseball was the first major sport to begin a full season in this more spartan environment. Yet with new seasons approaching, basketball and hockey teams are trying to find takers for suites that were not renewed by financial firms. Many corporate hospitality tents sat unused at the United States Open at Bethpage this June, one reason annual revenue at the United States Golf Association is expected to be about 20 percent below the projections made before the economic collapse.

Ticket brokers are also scrambling.

"The bankers we did business with in the past have eliminated purchases or scaled back to minimal amounts," said Jason Berger, the managing partner of AllShows.com, one of the largest ticket brokers in New York. "A few years ago, they were focused on the best, best seats. Now they're under a tremendous amount of scrutiny, especially under TARP, so we're seeing almost no spending."

The belt-tightening on Wall Street could have severe consequences for the Mets and the Yankees, which opened their stadiums this season and, more than most teams, expected free-spending bankers, brokers and fund managers to fill top seats. The teams initially priced some tickets so high — as much as $2,500 each — that the sight of empty box seats became a symbol of excess and hubris. The teams have since discounted some of their seats by as much as 50 percent.

The financial industry's troubles could prompt teams across the country to re-evaluate their reliance on corporate dollars.

"There's been a level of greed that runs the risk of destroying what makes the business a business," said Paul Swangard, the managing director at the Warsaw Sports Marketing Center at the University of Oregon School of Business. "Believing that people always will pay more may need to be corrected."

Some season-ticket holders who have found it hard to use their seats to entertain clients, and who have had trouble reselling their tickets online, are considering canceling their plans next year.

"People turned us down before, but it has gotten much worse as the face value of the tickets keeps rising," said one executive with a financial search firm who has four $225 box seats at Citi Field. "This year, it's completely dried up."

Like others interviewed for this article, the executive declined to be identified for fear of bringing attention to his company or risking the appearance of seeming too extravagant. The executive and others said companies had recently fired employees for violating entertainment policies.

Representatives of the Mets and the Yankees declined to speak specifically about their season-ticket holders or about whether the teams were being affected by stricter corporate policies.

Asset managers like Vanguard and General Electric Asset Management have prohibited some or all of their employees from accepting sports tickets. So far this year, the compliance department at Vanguard has turned down two requests from employees who wanted to accept tickets.

At Oppenheimer Funds, employees invited to attend with a client can cover the cost of any ticket with a face value exceeding $100.

"It's really the personal decision of the employee whether they want to spend the extra money," said Jeaneen Pisarra, a spokeswoman for Oppenheimer.

But given the escalating price of tickets, many bankers simply say no.

"A lot of people have gotten hurt by this stuff, so it's easier to just not do it," said one director at a firm that manages pension funds. "More than the price, it's just the nature of the environment out there, so it's not worth the risk."

In its newly updated code of conduct, American Express, which took $3.4 billion in government funds, said employees could not accept or offer entertainment considered "excessive in value," "not business-related" or "in an inappropriate setting."

At Bank of America, managers are encouraged to skip the expensive sporting events and "leverage their existing routines," according to Kelly Sapp, a spokeswoman. But when they do accept an invitation, she said, the entertainment cannot be "lavish, frequent or contrary to Bank of America guidelines."

At JPMorgan Chase, employees are permitted to accept tickets on a case-by-case basis, according to a spokeswoman. But legitimate business has to take place, which means the host has to be present, the event has to be held at a "reputable venue" and the ticket value must be "reasonable."

The bank's compliance department, she said, would probably deny requests to accept Super Bowl or World Series tickets because they "would be deemed as lavish and unreasonable."

The bank's policies language echoes the Treasury Department's standards for compensation and corporate governance for TARP recipients.

In an internal memo sent in July, JPMorgan Asset Management told employees in its Institutional Americas division that "in light of the current regulatory environment," they would not be allowed to entertain clients at the United States Open tennis tournament this month.

The United States Tennis Association said it might sell 700,000 tickets to the event, just under last year's record attendance. But this year, companies are being allowed to rent suites for less than the entire two-week tournament.

"Going into 2009, we recognized the new economic environment in the country and its impact on events like ours," said Chris Widmaier, a spokesman for the U.S.T.A. "This will not be business as usual."