



ANDREW KLEBANOW

Be the Best Locals Casino You Can Be

As casino markets mature, there is a propensity among gaming operators and, in particular, Indian tribes, to diversify their businesses away from simple casinos. For some, the logical next step in the development process is to build full scale resorts, complete with golf courses, spas, elegant hotel rooms, ultra lounges and other amenities that appeal to new and different customer segments. The basic assumption is that the local gaming markets are reasonably served and, in order for revenue to grow, a tribe must bring in new, different and far wealthier tourist segments.

The fundamental problem is that resort hotels are expensive to build and difficult to operate. They require a highly trained staff and an experienced sales team. A resort hotel stands a better chance of being successful if it is located within a resort community but that often means they must compete with branded hotel chains with international reservation centers. In addition, a resort hotel may alienate the very customers that made the casino successful as it often holds little appeal to local gamblers.

While any sound business strategy stresses the need to diversify product offerings, the notion of developing resorts that are designed to primarily serve tourist markets is rarely the best business strategy for a casino operator. It is a flawed strategy because it ignores one critical fact: with the exception of the casinos on the Las Vegas strip and downtown Las Vegas, Laughlin, Lake Tahoe and perhaps a few casinos in Reno, nearly every casino in the United States is a 'locals' casino. That is to say, every casino is dependent on a market of local residents for the lion's share of their revenues. While the definition of what constitutes a local market may vary, virtually every casino outside of Las Vegas that is prosperous is so because of their local markets. Any casino operator need only conduct a cursory examination of their databases to determine where the majority of people and revenues originate to confirm this fact.

Nevertheless, many operators feel compelled to seek out completely new and different markets that are far different from their core customers, who have dramatically different wants and needs, and whose needs require high levels of capital investment. They often do so before fully developing the suite of amenities to properly serve their local customers. This is not to say that the addition of a hotel with meeting and banquet space is incompatible with a local casino. On the contrary, a hotel is a natural step in the development process but only after the core group of local amenities has been developed.

Components of a Great Locals Casino

At the core of any great locals' casino is an outstanding selection of slots, available in a clean, attractive, well ventilated and comfortable environment. The slot product is the engine for any casino and, to perform at its optimum, this engine needs

the right mix of additives. There must be ample convenient parking, preferably covered, and there must be an array of highly appealing restaurants that offer quality and value. The casino must also offer a variety of non-gaming entertainment options including a lounge, nightclub and a larger room for special events.

To be a great locals' property a casino must offer alcohol. While this columnist understands the sensitive nature of this topic and the reasons some tribes choose to prohibit its sale, it must be stated that, in order to be a great locals' property and ultimately a great regional destination, the casino must provide some form of alcohol service. By not doing so, the tribe is forever limiting the engine's ability to perform at its best.

Once the core suite of local gaming amenities has been developed, casino operators must then explore the addition of related non-gaming amenities that enhance and compliment the core revenue centers. Fortunately, Indian casino operators need only look at the successful local casinos in Southern Nevada for clues on the kinds of amenities to offer. Movie theatres, soft-play activity centers and bowling have all demonstrated themselves to be profitable and complimentary amenities to the casino. Water parks, ice arenas, and golf courses have not.

Once the casino operator has successfully introduced the right mix of gaming and non-gaming amenities and has learned how to operate those amenities profitably, then it is appropriate to develop additional amenities that will allow the casino to expand its reach. This next phase would logically include a hotel and a suitable amount of meeting space. A hotel allows a casino to pull customers from what is referred to as outer drive-in markets, usually one to three hours away. In other words, a hotel allows a casino to expand its marketing reach into outlying regions. A hotel would also serve local residents that seek accommodations for friends and relatives if those accommodations are demonstrably better than the limited service properties that dot most highways. In other words, a hotel at a casino needs to exceed the expectations of the market without being significantly more expensive.

The ultimate goal for any locals' casino should be to become a regional entertainment destination, serving a number of local communities with a host of gaming, dining, lodging and entertainment options that are fully compatible with the casino. This is a natural and evolutionary development process that does not radically alter the core mix of customers.

It is often said that, "what is good for the locals is good for the tourists." Rarely is it the other way around. ♣

Andrew Klebanow is principal of Klebanow Consulting. He can be reached by calling (702) 547-2225 or email Klebanow@att.net.