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Vegas is Not the Competition

A critical factor in determining the success of a casino operation is to correctly define the competition. By properly delineating one's competition, a casino can design a facility that best meets the needs of its market, optimize the allocation of precious capital, forestall attempts by competitors to gain an advantage and more prudently spend marketing dollars. One of the single biggest mistakes an Indian casino can do is define Las Vegas as one of its competitors.

Casinos that make the assumption that Las Vegas is part of their competitive mix do so on the flawed hypothesis that, because some of their customers periodically visit Las Vegas, the casino can divert one or two of those visits to their property. While at first blush this reasoning appears sound, a closer examination of customer behavior reveals that this logic is flawed. These casino operators simply do not understand the basic reasons gamblers choose to periodically vacation in Las Vegas and the reasons they visit Indian casinos with such great frequency.

Vegas is Not Just About the Gamble

In order to truly understand the difference between local/regional gaming destinations, (which is what all domestic gaming operations outside of Las Vegas are) and the Las Vegas experience, one must actually make the trip to Las Vegas and act out those behaviors that visitors typically exhibit. Most readers of this column no doubt have visited Las Vegas and are familiar with the breadth of amenities that the city has to offer. What some gaming executives may not understand are the reasons people visit Las Vegas and how they behave once they get there.

True, Las Vegas has well in excess of 100,000 slot machines and over 3,000 table games, but Las Vegas is not just about the gamble. Las Vegas is about seeing slot machines at the airport, taking a cab ride down the Strip, walking into the lobby of a 3,000 room hotel, paying \$25 for an appetizer in a restaurant run by a celebrity chef, sticking one's head out of the sunroof of a limousine with a glass of champagne in one's hand, spending \$50 in a store devoted to chocolate candies, strolling through some of the world's most stunning shopping malls, seeing a movie star at a casino nightclub, watching people scream in terror as they ride a roller coaster over Las Vegas Boulevard, staring in wonder at a replica of the Eiffel Tower and standing in front of the most beautiful water fountain in the world. In sum, the Las Vegas vacation experience is like no other vacation experience on earth. Given that, can any regional gaming operator truly hope to divert visits from Las Vegas to their property and leave those customers satisfied?

The Price of Being Like Vegas

In order to divert customers from periodic trips to Las Vegas, casinos in other markets attempt to mimic the Las Vegas experience by allocating capital to build amenities such as elaborate suites, multiple golf courses, high-end dining venues, IMAX theatres, virtual reality roller coasters and showrooms. While the goal is to create a Vegas-like experience, the inevitable result is a diminution in operating margins as the casino struggles to operate these amenities profitably.

In order to be just like Las Vegas casinos resort to a variety of methods to "bring in the high rollers." They hire Vegas hosts who purport to have names of customers that can be convinced to come to their property instead of Las Vegas. These hosts will then spend inordinate amounts of marketing dollars to fly in premium players, send them to local golf courses, escort them to regional sporting events, entertain their spouses and take them out to dinner in local restaurants in order to demonstrate that their property has everything that Las Vegas has.

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Meanwhile, premium local players are neglected. Worse, these players see their casino spending lavishly on these out-of-town customers and they grow resentful. They talk amongst themselves and wonder why their casino is ignoring them. Soon the seeds of disaffection are sewn. Ultimately, the casino risks losing its most loyal and profitable customers by chasing segments it cannot hope to satisfy.

To promote these new amenities, casinos will allocate a disproportionate amount of marketing dollars to try and position their properties as alternatives to the Las Vegas experience. They do not realize that what they are offering is nothing more than a caricature of Las Vegas.

So Who is Your Competition?

First and foremost, the primary competition for any Indian casino is the casino or casinos that are closest. Other competitors include racinos and regional gaming destinations such as Tunica, Shreveport and Atlantic City. In addition, Indian casinos compete with other local and regional entertainment venues for customers' discretionary dollars. These may include bowling centers, movie theatres,

shopping malls, bars with video lottery terminals, nightclubs, and any other venue that offers an adult entertainment experience that can be enjoyed for three to four hours.

Build and Market Facilities that Meet the Market

Only by truly understanding the needs of its customers and who the casino competes with day in and day out, can the property's leaders effectively allocate capital and marketing dollars to compete more effectively. Once it understands its competition and the needs of its customers, the casino's leaders can design and build amenities that truly meet the needs of its customers and give them a sustainable competitive advantage over other local/regional entertainment options.

No matter how much a casino spends, it would be difficult to ever replicate the Las Vegas experience and ultimately, the Las Vegas experience is not what frequent customers really want. If they did, they would just get on a plane and fly to Las Vegas. ♣

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