

WHAT HAPPENS IN VEGAS...EH?

Creating comprehensive entertainment destinations in Canada

BY KARA HOLM



Everyone working in the Canadian casino industry knows we can't deliver a Vegas-style experience. We don't have low gaming taxes and millions of transient visitors, both of which make it possible to more aggressively invest in these experiences. That shouldn't stop us from aspiring to interpret the casino entertainment experience as it evolves in market-appropriate ways across Canada.

HOW CAN CANADIAN OPERATORS continue to raise the bar to create memorable, exciting experiences for their current and prospective customers? The answer lies in our ability to imagine immersive, integrated gaming and non-gaming amenities that focus on experience and product, and have the capacity to change preconceptions about casinos.

WHAT'S KEEPING OPERATORS AWAKE?

Canadian casinos have much in common with operators from around the world:

1. Attracting new patrons to casino properties is an obsession for operators — from the biggest casinos on the Las Vegas Strip to small casinos that serve local Canadian markets. Millennials have been the focus of these acquisition efforts, but the opportunity can be defined more broadly to encompass all social entertainment seekers, increasing the scale of, and providing strategic focus for the market opportunity.
2. Retaining customers and market share in the face of increased gaming supply — including online and illegal games — is also a shared concern of operators in every market.

Understanding the challenges faced by operators is easy, but effectively addressing them has proven an elusive challenge — even in Vegas. Getting the experience and product right takes careful planning and appropriate investment in both concept development and ongoing activation. In our industry, we can't help but reference Vegas — it defines modern casino experiences in the minds of customers — but we need to find ways to make the experiences feel authentic and relevant to Canadians.

GAMING VS. NON-GAMING AMENITIES

The most common approach employed to entice new and casual patrons to a casino destination is the use of non-gaming amenities such as restaurants and entertainment. We all know that operators secretly hope that newcomers will also try their luck on slots or table games. Operators and game manufacturers in the U.S., shadowed by their friends in Canada, continue to fine-tune the destination experience and gaming product offering, thus hoping to solve the acquisition and attendant conversion problem.

Non-gaming amenities are also important to loyal casino players who enjoy the existing gaming product. Players expect food, but they also appreciate the social and entertaining experience offered by casinos. Casino players want ambiance; it's why they visit casinos rather than play VLTs in a bar.

CASINO TRENDS

At the Global Gaming Conference (G2E) in Vegas last fall there was a lot of talk about TopGolf, as well as new skill-based and multi-player casino games. In 2015, stadium gaming and “Beer Pong” were generating buzz. Destination resort operators in the United States or Asia feature million-dollar DJs, or invest in resident shows with purpose-built theatres. Casino resorts are being positioned as “family” destinations. On the gaming floor, “micro casinos” — which integrate non-gaming entertainment elements — are becoming more popular, recognizing that infrequent and casual casino customers are there for the “whole experience,” not just the games of chance. Micro-casino experiences allow existing properties to target specific customer groups, and may be achieved with or without major capital

investments. New casinos are building for differentiated, integrated entertainment experiences to appeal to defined audiences.

While these may or may not sound like interesting or appropriate ways to attract and activate new or infrequent customers to casino properties, many of these approaches are challenging for most Canadian operators. Our casinos typically serve a resident population. The business model in many markets makes large capital investments difficult to rationalize. Our commitment to corporate social responsibility effectively limits how we can integrate some of these ideas. No matter how compelling the offer, if people don't think casinos are attractive places to visit, they won't come. We know Canadian casinos have an image problem with non-gamers!

So, we can't do things exactly as they're done in Vegas, but we can adapt and apply the underlying concept in market-appropriate ways. The opportunity for Canadian operators is to shift the outdated perception of casinos, presenting land-based casinos as destinations offering an immersive, lively comprehensive entertainment experience. This can be achieved through new or updated amenities that offer defined experiences delivered with clear service standards, as well as thoughtful gaming strategies and product.

MONEY IS A MOTIVATOR

A business case can be made for focusing on non-gaming experiences in Canada. Revenues from the Las Vegas Strip are no longer dominated by casino gaming. In Las Vegas, approximately 65 per cent of revenues result from non-gaming activities such as entertainment, food and beverage, retail, and hotels. Gone are the



days of cheap buffets. There's a "premium" culture on the Las Vegas Strip that gives the average person a sense of accessible luxury.

Our experience working across Canada suggests that non-gaming revenues contribute significantly less on average to total destination revenues when compared with gaming revenues. In fact, many Canadian operators have even been losing money on non-gaming amenities like dining and entertainment. In recent years, we have noted a shift away from the loss-leader model – with a few notable exceptions – instead, treating each unit as a profit centre.

There is an incentive for Canadian casino operators to rethink their relation to non-gaming activities. In many provinces, operators do not share non-gaming revenues with their crown partners. First Nations casinos also typically retain 100 per cent of the revenue from non-gaming activities. While crowns may not get a share in the money from non-gaming activity — they will certainly reap the benefit when the public perception (with the associated social licence) improves. If the public sees casino destinations as more than gambling dens the net effect will be to attract new audiences. It's a win-win.

MARKET-SPECIFIC EXPERIENCES

So how can Canadian operators activate the opportunity and enhance their non-gaming offering to increase their topline revenues, overall profitability, as well as attracting new and infrequent patrons? It's easy to feel like you need to meet the needs of each individual prospect and customer. In fact, strategically, it is easier to define and develop specific experiences to appeal to targeted groups of patrons and

What we have learned from the Vegas experience:

- Vegas is not a casino destination.
- Non-gaming amenities should be profitable.
- Amenities matter – they're important points of difference in a competitive market and create a total entertainment experience, attracting a wider audience.
- When planning new experiences don't alienate your core customers while rolling out the welcome mat to new and infrequent patrons.
- New experiences and amenities must be market-oriented and tested with your current and intended customers.
- Don't underestimate the value of non-gaming behaviour. Recognize and appropriately reward your amenity users.

prospects based on shared preferences and motivators. It is also important to define the right metrics relative to your business objectives, so that you can evaluate performance and course-correct when needed. Often casinos are spending money on activities that have low perceived value by their customers. It's important to invest where you'll have the most impact for your audience.

LOYALTY ALIGNMENT BETWEEN GAMING AND NON-GAMING ACTIVITY

There is an opportunity to use loyalty programs to activate non-gaming amenities. Most casinos allow patrons to redeem the points they earned gaming to purchase meals in restaurants or theatre tickets, but operators have not yet developed an approach to valuing and rewarding non-gaming behaviour. We know this is something large international operators are working on and Canadians, as they consider growing revenues from non-gaming activities should be proactive with this opportunity.

Ultimately, the Canadian operators, crowns and suppliers need to work

together to change perceptions so as to attract new audiences. Casinos need to be understood as engaging entertainment destinations. And the experience must live up to that promise. There is a large audience of social, entertainment seekers in Canada, with disposable income. Casino destinations can win wallet share if they help potential customers understand the new realities of the casino industry. Offering innovative non-gaming amenities, that are market appropriate, is the path to engaging with this audience. And, if executed properly, the improved revenue streams will follow. ■

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