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## ***Designing the Right Amenity Mix***

*“Traditionally developers of casinos have looked to their competition or gaming operators in other markets for clues as to what will work at their property. .. In all probability, those mixes of amenities were determined by simply replicating another casino's facilities program rather than basing it on the needs of the market.”*

When leadership decides to commit to an expansion of its gaming facility or a wholesale replacement of its casino, the first step is to determine the proper size of the proposed gaming operation. This exercise involves examining the current utilization of the existing facility, the size of the primary and secondary markets that the casino will serve and the gaming behavior of those markets. While not a precise science, determining the right number of gaming devices, table game positions and casino square footage is based on proven mathematical models. Although complex, these models can accurately determine the proper sizing of a casino.

The next step is to determine the appropriate mix of non-gaming amenities that will support the gaming operation in order to maximize gaming revenue. Non gaming amenities are most often comprised of restaurants, hotel rooms, meeting and banquet facilities, entertainment venues, retail outlets and leisure/recreation operations such as golf courses, movie theatres, nightclubs, bowling centers, arcades and child care facilities. While determining the right amount of hotel rooms and banquet/meeting facilities is primarily an empirical exercise, identifying those other amenities that will maximize gaming revenue and best meet the needs of the market requires far more investigation.

Traditionally developers of casinos have looked to their competition or gaming operators in other markets for clues as to what will work at their property. The flaw in this methodology is that it assumes that the competition actually employed some rational and empirical methodology to determine their own amenity mix. In all probability, those mixes of amenities were determined by simply replicating another casino's facilities program rather than basing it on the needs of the market. In other words, it is more often than not a case of the blind leading the blind.

### **Define the Primary Market**

The first step in the development process is to define the primary market. The primary market most often is the local

population living within close proximity of the casino. However, given the rural locations of many Indian reservations, those primary markets may in fact be further away than what is normally considered a local market. Also, having fully penetrated those markets in close proximity to the casino, a tribe may make the decision to target new markets that reside further away than the local market.

### **Identify the Needs of the Market**

With the target markets defined, the next step is to thoroughly analyze the demographic composition of those markets in terms of age, income, race and ethnicity. Concurrently, it is necessary to visit those markets, observe what kinds of dining, retail and recreation options are currently available and what seems to appeal to the market. Is the market properly served? Are there a sufficient number of bowling centers and movie screens? Is the quality of those facilities such that the markets are being properly served or are they old and dilapidated? Where do people eat? Are there a sufficient number of nationally branded dinner houses and do those residents find them appealing? Does golf appear to hold particular appeal? What do people do at night? Is the demographic composition of the market such that a nightclub might hold particular appeal? Only by visiting those markets, observing behavior, participating in the existing recreational options and seeing what works can one get a sense of what the market needs.

Existing customers and employees can also offer insights into what amenities may hold special appeal to the market. Therefore it is absolutely essential to conduct interviews with existing customers in the form of blue ribbon panels, comprised of loyal, high-frequency, high-worth gamers. Employees also have insights into what might appeal to customers. It is therefore incumbent upon leadership to involve them in the process by inviting them to participate in employee focus groups. Furthermore, by involving loyal customers and employees in the development process, they

become advocates of the ultimate development program.

Market research is a critical tool used to identify the needs of the market. Focus groups of area residents should be conducted in order to better understand the recreational and leisure habits of the market. Once identified, hypotheses are formed of what amenities may work and then should be tested in the form a quantitative survey that polls a random sampling of the target market.

With a proposed mix of amenities identified and validated by a quantitative study, leadership can then move forward with determining the right size for each amenity. How many bowling lanes, movie theatre screens and restaurant seats are determined in a manner similar to the methodologies employed in determining the proper number of hotel rooms and meeting space that a market can support.

### Forecast of Revenue and the Impact on Gaming Revenue

How will these amenities affect gaming revenue? Are there synergies between say, a movie theatre or bowling center and a casino? What percent of bowlers will gamble in the casino during their visit? Will people who visit the property to see a movie also gamble in the casino and, if so, what will be their typical gaming budget? These questions must be answered in order to fully gauge the impact of non-gaming amenities on the overall operation.

With an understanding of the size and composition of each non-gaming amenity and the contributions each will make to the casino, a pro forma income statement is finally built in order to determine the net contribution each non-gaming amenity will make to the property.

As Indian casinos evolve from basic gaming enterprises into multi-faceted regional entertainment centers, it is critical to identify those amenities that hold the greatest appeal to the market. Only through sound research into the wants and needs of the market and an understanding of the revenues and expenses of any proposed non-gaming

amenities can the tribe identify the proper facilities program that stands the greatest chance of success. ♣

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