



The Coming of the Entertainment Superstore

"Many casino operators have come to realize that their markets are now maturing and the days of double digit growth are behind them. To grow, many of these gaming properties must evolve into something else that appeals to broader demographic segments."

Casino development in Las Vegas has historically acted as a bellwether for the development of gaming and non-gaming amenities in regional markets. Development trends such as the multi-station buffet, multiple dining options, casino food courts and showrooms were first introduced in Southern Nevada and eventually exported to other markets. Casino developers in regional markets have traditionally looked to Las Vegas to see what works and what doesn't work; what is particularly appealing to gamers and what is not and adopted those development trends that hold the greatest promise.

While Strip properties often offer the most glamorous of amenities, it is Las Vegas's locals casinos that have developed amenities that are most relevant to casinos in regional markets. Beginning with the opening of Sam's Town Casino in 1978, followed by the Gold Coast Casino, the whole concept of a locals casino was first developed in Southern Nevada along with the suite of amenities that held appeal to local gamblers.

It was Sam's Town that demonstrated the success a local casino could have if it offered a modern bowling center, western clothing store and dance hall as part of its entertainment mix. In the mid-1980s the Gold Coast Casino opened a two-screen movie theatre along with a bowling center and dance hall. Each successive local oriented casino to open in Las Vegas introduced additional non-gaming amenities to enhance the overall entertainment experience. Today, local casinos in Las Vegas offer 10-20 screen multiplex movie theatre complexes, 60+ lanes of bowling, multiple dining options including branded and non-branded offerings, nightclubs, showrooms, multi-use entertainment centers, arenas, soft-play activity centers and arcades to entertain those who are too young to gamble.

Local casinos in Las Vegas are no longer just casinos but entertainment superstores that appeal to multiple demographic segments. They target families who want to see a movie in a state-of-the-art theatre; bowlers who want to play in a modern facility, fine dining enthusiasts, buffet hounds, night club goers, bingo players and traditional slot and table enthusiasts. These properties evolved into entertainment superstores because casino operators have long realized

that in order to grow gaming revenue, they must appeal to people outside of their traditional customer base. They realized they could no longer rely on 50+ empty nesters for the lion's share of their revenue. To grow overall revenue and gaming revenue in particular, they had to add amenities that would not only enhance the gaming experience but offer entertainment options that could operate profitably on their own.

If one accepts the basic premise that all casinos outside of the resort corridor of Las Vegas Boulevard are essentially locals' casinos then the development trends in the local Las Vegas casino market are particularly prescient. Local casinos, whether they are Indian casinos, riverboat casinos or racinos, all depend on a finite core group of local and regional gamers for the lion's share of gaming revenue. Many casino operators have come to realize that their markets are now maturing and the days of double digit growth are behind them. To grow, many of these gaming properties must evolve into something else that appeals to broader demographic segments.

The Dilemma of Mature Markets

Mature markets are particularly problematic for casino operators, particularly for those operating in markets with stagnant or declining populations. How does an operator grow overall revenues and gaming revenue in particular? Casino operators that only offer rudimentary gaming and dining options offer a product that has limited appeal to the broader population. In order to grow revenue, the operator either steals market share from competitors, ostensibly by increasing player reinvestment costs, or they can enhance the gaming experience by improving the gaming environment. Often the latter is undertaken through a series of expansions and renovations. Eventually the market becomes fully penetrated.

Once the casino product is "right," in order to grow both gaming and property revenue a gaming operator must begin to offer amenities that appeal to the broader population. More important, these amenities must have an intrinsic complimentary relationship with the casino.

Local Las Vegas gaming operators continue to test which of these amenities work and which do not. Modern

bowling centers, exciting and appealing dining options, multi-screen movie theatre complexes, soft-play activity centers for children, quality arcades, nightclubs, showrooms and lounges all work together to draw people who may not be particularly interested in gaming but are willing to spend money on these alternative forms of entertainment. Moreover, adults that are drawn to these properties for non-gaming entertainment may find themselves in the casino as part of their overall entertainment experience.

Other non-gaming amenities have been tested and offer far less appeal. Water parks, ice skating rinks, light shows and amusement rides have not fared as well in local gaming markets. While they may attract certain demographic segments, they either proved themselves to be expensive to operate and/or offer little synergy with the casino.

Every casino market in the United States will eventually reach a point of market maturity. Even Indian casinos that operate in monopoly or oligopoly environments will find themselves appealing to only a narrow segment of the overall population. The casinos that will be the most successful are the ones that can redefine themselves as entertainment superstores, offering a variety of complimentary entertainment experiences that appeal to multiple demographic segments.

Millions of Americans want to be entertained and have the disposable income for it. For the vast majority, a slot machine in a smoky room is often not enough to get them off their couch and into a casino. It is imperative that Indian gaming operators evolve their properties into entertainment superstores and position their properties as the place to go for multiple forms of entertainment. The incubator for testing and identifying the best forms of complimentary entertainment can be found in the local Las Vegas gaming market. It is time to take a look at it. ♣

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