



What Can We Learn from Macau?

As gaming markets mature and individual casinos' databases become established, casino operators are able to better understand the demographic makeup of their core customers. With few exceptions many Indian casino operators have come to recognize that Asian Americans, in particular immigrants from China, make up a sizable minority of their customers and display an almost passionate love of casino gambling. To better serve this important segment, many casinos have introduced noodle bars, expanded Asian food offerings in their buffets, added Chinese speaking hosts and printed collateral material in various Asian languages. Some have also brought in Asian entertainers. While these programs make sense, they are essentially tactical plans that are put in place on a hunch rather than understanding that player segment's wants and needs. They fail to recognize that not all Asian American gamers are alike and each nationality has its own particular appeals.

For most domestic markets, Chinese Americans are the most dominant Asian gaming segment. Notwithstanding some markets may be comprised of other nationalities. Therefore, it is critical to first understand which Asian nationalities comprise the largest part of the casino's demographic mix. If Chinese Americans are indeed the largest, then it is important to understand their unique wants and needs. And to really understand what motivates Chinese gamblers, you have got to go to Macau.

A Brief History

Colonized by the Portuguese in the 16th century, Macau was the first European settlement in the Far East. It is actually a peninsula and several islands that connect to the mainland. Pursuant to an agreement signed by China and Portugal in 1987, Macau became the Macau Special Administrative Region of China in 1999. China promised that, under its "one country, two systems" formula, China's socialist economic system would not be practiced in Macau and that Macau would enjoy a high degree of autonomy in all matters except foreign and defense affairs for the next 50 years. So far the government has kept its word.

The first casino monopoly concession was granted to the *Tai Xing Company* in 1937. In 1961, the government granted the *Sociedade de Turismo e Diversões de Macau* (STDM) the monopoly rights to all forms of gambling. The license was extended in 1986 for another 15 years but expired at the end of 2001. *Sociedade de Turismo e Diversões de Macau* was founded by Stanley Ho, Teddy Yip, Yip Hon and Henry Fok but is now owned only by Stanley Ho and his family.

In 2002, the Macau government ended the monopoly system and three (later six) casino operating concessions (and

sub-concessions) were granted to *Sociedade de Jogos de Macau* (SJM, an 80% owned subsidiary of STDM), Wynn Resorts, Las Vegas Sands, Galaxy Casino, the partnership of Pansy Ho and MGM, and the partnership of Melco and PBL. Today, there are over 20 casinos in Macau.

In May of 2004, Las Vegas Sands Corporation, parent company of the Venetian in Las Vegas, opened the \$240 million Sands Macau Casino. The casino was so successful that the company was able to retire its bonds in one year. Today the property consists of 790 table games and 1,380 electronic gaming devices, making it one of the largest casinos in the world and no doubt, the busiest. It is a must-see experience for gaming professionals.

Wynn Macau opened in May 2005 and introduced the first true Las Vegas style resort to the market. MGM Grand will open later this year as will the 3,000-room Venetian on the nearby Cotai Strip. The Cotai Strip will ultimately be comprised of 12 casinos, 20,000 hotel rooms, 2,900 table games, 20,000 slots and three million square feet of retail space when it is completed by 2010, at an estimated cost of \$11 billion.

Despite a reputation as being a seedy gambling town, Macau is in fact a clean and attractive city with a modern infrastructure and modern highway network. More important, it is a safe city, a quality that Chinese gamers view as essential when visiting a gaming destination.

The Customers

Today, Macau is primarily a day-trip market. Customers arrive by ferry and helicopter from Hong Kong, Guangzhou and Shenzhen, by air from inland destinations or via train and bus from the mainland. From those arrival points, customers board shuttle buses to their preferred casino. Upon arrival at their casino, customers pass through metal detectors and are reminded about the prohibition on photography. Security in and around the gaming floor is very visible, giving guests added assurance of safety and security. A coin grabber would not get far in a Macau casino.

Once in the casino, players take their gaming very seriously. They track each game's outcome, using scorecards. Prior game outcomes are also displayed on electronic reader boards. In addition to luck, gamers rely on probabilities to help predict future game outcomes and casino operators assist in providing that information.

What is most striking is the steady and unrelenting flow of customers arriving and leaving, 24 hours a day. However, with thousands of casino hotel rooms currently under construction, the nature of the market will change and it will soon transform into an overnight gaming destination.

The Game

Clearly, the most important aspect of the Macau gaming experience are the games that people play and Baccarat is the most popular, generating over two thirds of the Macau casino industries' revenues. In addition, gamers play Roulette, Fan Tan, Big and Small, Sic Bo and Boule. A walk through any casino will reveal games that are unavailable in domestic markets but which hold wide appeal among Chinese. Slot machine activity is modest at best. Rather, it is the table game pit where the action lies with people standing five deep to play and watch.

Alcohol is not a popular item on the gaming floor. Rather, customers drink bottled water or tea. They are serious about their gaming and how they view gaming entertainment. While dining is an important amenity to US gamers, it has little relevance to Chinese players. For the most part the fine dining rooms are empty. During a gaming foray, food is viewed as a form of sustenance, to be consumed quickly so one can get back into the action. For Chinese gamers, it is all about playing the game.

The sheer volume of gamers and the size of the casinos give visitors the impression that these casinos are grind operations, appealing to masses of day-trip gamers from the

mainland. However, it is the premium table game market that contributes the lion's share of gaming revenues and it is in this area where much can be learned. A premium table game player is loosely defined as an individual whose average bet is \$500 or greater and is capable of losing in excess of \$25,000 in a gaming visit. Macau has lots of premium table game players.

Macau casino operators employ a wide range of marketing tactics to attract premium table game players including junket representatives, player development offices and incentive programs. These programs include incentives based on "cash" chip turnover, "dead" chip programs and discounts on loss. These incentives are often negotiated up front by independent junket representatives who deliver premium gamers to the property.

For any Indian casino operator serious about targeting and serving Chinese American gamers, one needs to visit Macau, understand what appeals to Chinese gamers and witness for oneself the busiest casino town on earth. ♣

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