

The Boomerang Effect

*Asia's casino industry growth can
"fly back" to benefit Las Vegas*

Jonathan Galaviz

Boomerangs are an interesting invention. These remarkable devices can be thrown into the sky, for long distances, and then they do something amazing: they fly back to the thrower. Metaphorically speaking, the Las Vegas-based casino resort industry has thrown its "boomerang" to places like Singapore, Macau, and many other casino markets throughout the world over the last decade, with great success. Of course, many question whether this "boomerang" will indeed fly back to the thrower in the form of economic benefits. In this paper, I will lay out some key strategic concepts that argue that Las Vegas is indeed benefitting from the global expansion of several core economic sectors.

When we apply the boomerang metaphor to Las Vegas, one has to wonder: is the city hurting itself by exporting the "Las Vegas model" of casino gaming and tourism to the rest of the world (especially to places like Asia)? In both the private and policy sectors, critics understandably complain that the metropolitan area might not ever see an economic return on these exports, and that other communities benefit from Las Vegas' entrepreneurial and expansionist spirit. In contrast, I believe that not only will Las Vegas see a return on their international investments, but also that these investments will create a new wave of economic growth in Las Vegas over the coming decade. In the next sections, I will explore the mechanics of the boomerang to help determine whether this enhances our understanding of what I believe will be significant benefits to the city, its gaming industry, and its political economic health.

The Throw: To Asia

We all know the tale: as the Asian macro-economy has expanded over the last several decades, so too has consumer discretionary income grown. What is less understood is actually a fairly common story: when populations improve their financial well-being, they travel. Today, many Asian populations are seeing a world now that was previously prohibitively expensive. Taken together, these trips by Asia's new middle class constitute a major new area in the global tourism industry, contributing to airline growth, hotel development, and even casino resort legalization.

At this point, certain companies (or cities) can choose to be relevant to this type of global growth, or they can stand by and watch, as their markets remain irrelevant in this portrait. Whether by force, free market thinking, strategy, luck, or a combination thereof, Las Vegas' casino resort industry has chosen to be relevant to this global tourism growth pattern.

While the business leaders of Nevada's casino gaming industry took a risk in "throwing the Las Vegas boomerang" out to international markets. If they didn't, somebody else from another part of the world certainly would, as many large Asian businesses have developed an expertise in the gaming-tourism industry (Malaysia's Genting Group, for instance).

The Flight Home: to Las Vegas

In my view, the boomerang will eventually fly back (from Asia and elsewhere) to benefit Las Vegas – and this will happen much sooner than expected. When it does, it will trigger the next phase of Las Vegas' economic growth, in which the city will become even more of a global hub for the world's casino gaming industry.

There are three primary factors that will contribute to the boomerang's flight home that Las Vegas will experience over the coming years. The first is the remarkable appeal of the city as a globally recognizable brand. The second factor is Las Vegas' status as the intellectual capital for the global casino gaming industry and its affiliated components. The third is the development of Las Vegas as a technological innovation center for tourism-focused software and technology companies. These strategic concepts are presented more fully below.

I believe that Las Vegas will continue, with time, to continue to develop itself not only as a consumer casino market in its own right, but also as a center of research and development for the global entertainment industry more generally. As we saw in the last issue of this journal, Las Vegas is poised to become the "Houston of the oil industry" – a city that remains involved in production, but more importantly begins to serve as an international intellectual capital of a rapidly expanding global industry.

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The Truly Global Brand: Las Vegas

Companies like Coca-Cola, Pepsi, Nike, Toyota, and many other brands with a global reach spend billions of dollars each year to market their brands to the world. Sometimes these companies are successful in their branding exercises, and sometimes they are not – but generally, large global brands claim an international recognition level that their competitors envy. Of course, there are always population pockets in the world that simply do not know about these brands.

In my opinion and experience, however, there may well be a lone exception to this tendency: the words *Las Vegas*. These are two of the most powerful consumer-branding words that the world has ever seen – especially in all-important Asia.

While Las Vegas has spent a lot of money on branding (most famously through its "What Happens Here" campaign), its most powerful branding efforts have little to do with the Las Vegas Convention and Visitors Authority. In fact, Las Vegas' "global billboards" are the massive casino resorts that dot the global landscape nowadays.

The iconic Singapore resorts (Marina Bay Sands and Resorts World Sentosa) symbolize Las Vegas to Singaporeans and to the foreign tourists who arrive there. Asian consumers who see these megaresorts associate them in their mind with the city that invented these products. And as has so often been the case, these consumers get a taste of Las Vegas in Singapore, and then many long for the authentic Las Vegas experience.

In my travels, I have learned that there are certain small villages in the western part of Mainland China where televisions are still not available, and yet residents light up when they hear the words "Las Vegas." This is true in poor regions of Africa as well, and it is true in some of the most desolate regions of Latin America too. While the evidence of this phenomenon is anecdotal, it suggests to me that the Las Vegas brand is nearly universally recognized in a way that very few (if any) brands are.

The power of Las Vegas, as a brand, has created global branding mind share to a point and degree that even government officials from many countries immediately associate with the Las Vegas brand. In fact, it was this brand share of mind that led mainland Chinese government officials in the late 1990s to look at Las Vegas as the possible tool to assist it with a huge strategic problem: how to create a domestic zone for its newly created middle class to have fun in the context of tourism.

There is a reason why several properties in Macau (a Special Administrative Region of China) look exactly like what exists in Las Vegas. It wasn't because of the lack of creative vision by the owners/developers of those properties; it is because government officials wanted exactly what existed in Las Vegas – thousands of miles away in Macau.

In fact, it could be argued that the growth of the casino gaming industry in Asia has maintained and even enhanced the Las Vegas brand. Consumers in Asia see the integrated casino resorts in Singapore, Macau, and even the Philippines as Las Vegas inventions – immediately associating the existence of casinos in Asia with the Las Vegas brand. What a powerful and cheap way for Las Vegas to remain globally relevant to consumers, without even trying (or spending marketing dollars to do so).

Ultimately, the global growth of casino gaming is not making the Las Vegas brand less relevant; in fact, it is empowering the Las Vegas brand – creating a strategic marketing boomerang effect. It is now up to the State of Nevada and the Las Vegas gaming industry to take that brand's power and use it to their strategic benefit over the coming decades, through smart public policy and private sector strategies.

Las Vegas: Intellectual Capital of the Global Tourism Industry

As the growth of the casino gaming industry in Asia (and even in other states in the U.S.) accelerated over the last several decades, Las Vegas has emerged as the tourism industry's intellectual capital in areas such as law, technology development, research,

resort development, and regulatory oversight. In fact, if there is any evidence of the boomerang effect today in Las Vegas, it is in these areas. For example, law firms based in Las Vegas are retained by several governments in Asia for their expertise in understanding how to create the best legal framework for casino gaming legalization, tourism development, and many other relevant fields. In many cases, both governments and commercial developers are generating significant revenues for Las Vegas-based law firms because of the unique intellectual expertise that can only be found in Las Vegas.

This observation extends to creative businesses as well. Whether it's live entertainment, architecture, or the overall consumer experience associated with real estate development, creativity is a major contributor to the modern Las Vegas economy. In this respect,

there are several hundred firms in Las Vegas that specialize in the creative enabling of tourism centers.

As integrated resorts have emerged and spread in Asia, so has the need to merge the hardware (hotels and buildings) with the software (creative design and entertainment). It is important for what we might call the "intellectual industries" of Las Vegas (law firms, entertainment companies, architecture firms, engineering firms, and technology companies) to realize that the global tourism industry sees them as special and capable. This is in large part because they are headquartered in Las Vegas and have demonstrated this very capacity historically.

These new global customers understand that they must go to Las Vegas to seek intellectual expertise. Interestingly, this "need" to go to Las Vegas is felt for new, different reasons than those that attracted millions of tourists over the years. Today, Las Vegas has built it, and they are poised to come. However, it is incumbent upon Las Vegas' "intellectual industries" to ensure that they understand how to capture international inquiries when the boomerang of international business growth comes back to them.

Las Vegas: Gaming-Tourism Technology Hub

Central to the "Las Vegas as intellectual capital" idea is the claim that Las Vegas serves as a tourism hub for the global gaming-tourism nexus and its supporting industries. Many are unaware that Las Vegas has a robust capacity in the form of technologies that cater to the development and management of gaming, hospitality, and tourism

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Today, however, Las Vegas-based technology executives are fielding major and frequent inquiries from Asia and other international markets. This is in part due to their proximity and expertise to Las Vegas. Las Vegas still is, and will remain for at least the next decade, one of the world's most prominent tourism destinations, and none of this happens without technology.

The peak capacity capabilities of Las Vegas hotels, for example, would not be possible without the software that enables it to happen (for those unfamiliar with hotel management, imagine the complexities associated with thousands of guests checking in and checking out over a period of just a few hours). Over on the gaming side, customer relationship management (CRM) systems that have been developed by Las Vegas casino gaming companies are world-class. From a research and development perspective, Las Vegas hosts field testing that can only happen in Vegas (given the size, scope, and diversity of the tourism market there), thereby ensuring that those systems are relevant, and that they work.

As the growth of the casino gaming industry continues to develop in Asia, the need for technology expertise will continue to be critical. Granted, some of the opportunities for technology companies will fall to foreign firms and U.S. firms that may not be located in Las Vegas, but there even *those* companies will have to use Las Vegas as a research and development center for their tourism focused technologies.

A recent example of how global companies see Las Vegas as a globally relevant technology hub is demonstrated by the recently announced purchase of Las Vegas-based Stadium Technology Group by Ladbrokes PLC in the UK. This acquisition was based on Ladbrokes' desire to gain a foothold in the State of Nevada, to engage its growing internet gaming industry, and to assimilate intellectual property.

Another example of this dynamic can be seen at Las Vegas' LINQ360 technology laboratory. This technology incubation lab is a joint collaboration between Microsoft and other technology companies in Las Vegas to develop and test new tourism industry focused technologies that will eventually be exported throughout the world. Meanwhile, on the other side of town, Switch Communications houses one of the world's leading data facilities, developed, ripe, and ready to handle the information demands of a tourism-gaming industry that engages hundreds of millions of international customers annually.

Of course, Las Vegas' transformation into a tourism technology research hub would not be possible if it were not for the global growth of the gaming industry. As this industry has grown in Asia, so has the overall tourism industry in these regions. And as tourism in Asia grows, so will the demand for Las Vegas' tourism technologies expand. In the end, this constitutes a symbiotic, global relationship Las Vegas can have with the rest of the business world.

Meanwhile, emerging markets such as Thailand and South Korea have made significant public policy pushes to ensure that their respective technology industries flourish. This is precisely what should "happen here," as they like to say in Las Vegas. There is no reason why the state of Nevada cannot announce to the world that it stands ready and able to serve as the global hub for technology-related development in the tourism, gaming, airline, hotel, tourism, and other related industries.

To Catch a Boomerang

To fully realize these visions, the political and business leadership in the state of Nevada needs to take significant ownership in positioning Las Vegas globally. Due to its geography and resources, California has often been at the top of the list for Asian corporations seeking to establish U.S. headquarters. It is now time for the elected leadership of Nevada to extend the symbolic understanding of the Pacific Rim to include not only California, but Nevada as well.

Many public policies have a great effect not only because of their utility, but also

because of their symbolic and signaling effects. A number of important public policy steps will help make this happen:

1. Make Mandarin Chinese the Official 2nd Language of Nevada

Mandarin Chinese is the most widely spoken language in the world, and the world is taking notice. Of course, it is also the language of the fastest growing economic power in the world (China), and the State of Nevada can, and should, take advantage of this fact.

The State of Nevada, often a contrarian rebel throughout its history, should take a bold step here. Specifically, it should become the first state in the United States that makes Chinese its official second language. This move would create global news and would demonstrate to the CEOs of the major corporations of China that Nevada is ready to serve as an inbound hub for its global tourism-related commerce.

This initiative could possibly include a mandatory provision that all high school graduates in Nevada have a social conversational knowledge of Mandarin, and that university graduates in Nevada have a working knowledge of business phrases (or at least take a mandatory course on Asia culture).

2. McCarran as International Airline Hub

Las Vegas must not only be an airline hub in the United States, but also for the world. According to Airports Council International, not a single U.S. airport is ranked in the top 10 airports for international airline passenger traffic. While this is no doubt due to the massive populations elsewhere in the world, this also represents a tremendous strategic opportunity for growth at Las Vegas' McCarran Airport.

In order for McCarran to fully develop itself into an international airport hub, it must first focus on communication. For example, international travelers walking through McCarran quickly note an airport oddity: no international languages are printed on the signs that direct travelers. This is also true of the airport signage surrounding the airport for vehicles.

At a minimum, all airport signage at the airport should be presented in English and at least 2 other languages; preferably Chinese and Spanish. Not only does this send a good cultural signal to inbound international tourists that Las Vegas is internationally friendly, it serves a practical purpose of making the airport easier to use.

Las Vegas already enjoys fantastic weather for travel (superior, certainly, to San Francisco-area airports that cater to Asia). And there are already signs that McCarran is indeed laying the seeds for internationalization via the opening of its new multi-billion dollar Terminal 3. What remains to be seen is how these potential advantages translate into Asian flights and global connectivity, and soon.

3. Diversifying Within Tourism, Not Out of It

As mentioned in other areas of this paper, there are ways to maximize the potential of what Las Vegas already is, rather than what it *could* be. Among some, there is a perception that Las Vegas must diversify away from the casino gaming industry. As a recent Brookings/SRI report emphasizes, however, we (Nevada) must "water the green spots" first.

Indeed, a better move than diversifying out of gaming/tourism would be diversifying *within* the ecosystem of the travel and leisure sector. At a minimum, this 'within-industry diversification' should include a welcoming embrace of technology, airlines, and global HQ offices of tourism companies, allowing Las Vegas to catch boomerangs as they fly back to Las Vegas.

For starters, the Nevada Governor's Office of Economic Development (GOED) and the Nevada Development Authority (NDA) should be officially and prominently authorized by the state to engage in the recruitment of casino gaming, tourism, and

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hospitality technology businesses from afar. There are actual, and de facto, impediments that constrain these organizations from recruiting companies that might simply be the most natural fit for the Las Vegas economic structural profile. Specifically, whether by rule or practice, GOED seems hamstrung when attempting to convince casino gaming companies to relocate in Nevada.

From a public policy perspective, the idea that Las Vegas must define economic diversification as something that must be non-hospitality or non-gaming in nature is patently irrational. Public policy initiatives should focus on how to capitalize on Las Vegas' position as a global hub in this sector, and how to solidify it further.

Conclusion

As always, further research and public policy analysis should be conducted to verify that the ideas and concepts in this paper make empirical sense. At the same time, we must realize that time is running out for Las Vegas to catch the next wave of economic potential that could be driven by the global expansion of its core industries.

If there was ever a time in which politicians and business leaders needed to make some fast and logical bets to position Las Vegas for the future, it is now. Las Vegas finds itself in the crosswinds of economic change, and in a rapidly-evolving 21st century, time is not the city's best friend.

As the global casino gaming industry continues to grow, some have the impression that Las Vegas is being left out of the economic development party, but that is not really the case. There was, in fact, a time in New York's development as a global financial center when many questioned whether it would ever again be relevant to global finance. During a particularly challenging period, New York witnessed the growth of regional competitors, culminating with the creation of the Pacific Stock Exchange in San Francisco, CA. Today, we all know how this story turned out: over time, New York took advantage of its intellectual capital resources, New York took advantage of its historical advantages, and New York won.

I believe that Las Vegas will ultimately win in much the same way (albeit with successful company in the form of places like Macau and Singapore). The U.S. financial industry threw out its own boomerang as global capital markets developed, but that boomerang finally returned to New York in the second half of the 1900s, securing the city's status as the globally recognized capital of global finance, even though it has company today, with the likes of London and Hong Kong.

Despite the success of its competitors, Las Vegas' casino industry is certainly not dead; it is just alive in a different way. It will be alive in the future, as long as public policy makers think creatively while the private sector works in partnership with the state.

Moving forward, the city should shift its focus to being globally relevant rather than nationally relevant. While Las Vegas has won the national relevance contest, it is in danger of losing in the global arena.

In sum, it is vital that Nevada's political leaders realize that the Las Vegas-based casino gaming industry has thrown its boomerang to many international markets around the world, and while local naysayers may lament this development, it also provides a tremendous strategic economic opportunity. Meanwhile, it is also important that Nevada's private and public sectors know that it must be fully ready and enabled to catch the boomerang when it finally completes its journey home.

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