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## An Examination of the non-gaming nightlife entertainment sector of Las Vegas resort-casinos

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An Examination of the Non-gaming Nightlife Entertainment  
Sector of Las Vegas Resort-Casinos

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2009

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## **ABSTRACT**

An Examination of the Non-gaming Nightlife Entertainment

Sector of Las Vegas Resort-Casinos

by

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This paper provides an overview of the non-gaming nightlife entertainment sector of Las Vegas resort-casinos. Three qualitative interviews with executives of The Mandalay Bay Resort & Casino, The Monte Carlo Las Vegas Resort and Casino, and The Mirage Las Vegas were conducted to examine their perceptions and needs in the industry. This paper examines the impact the current economic recession is having on the Las Vegas nightlife and also reveals what types of questions resort-casino operators want to know about their customer. This exploratory research is a useful preliminary step that helps ensure that a more rigorous, more conclusive future study will not begin with an inadequate understanding of the nature of the problem.

## Part I

### *Introduction*

This paper is an examination of the non-gaming nightlife entertainment sector of resort-casinos in Las Vegas such as nightclubs and ultra lounges. The literature review will define various types of nightlife outlets, describe the characteristics of this particular consumer, highlight some operational issues, and address the transformation of the nightlife sector specifically related to Las Vegas. The results section will outline three interviews conducted for this study with the executives of The Mandalay Bay Resort & Casino, the Monte Carlo, and the Mirage. The conclusion section will provide an analysis of the results and discuss significant implications related to the industry. Recommendations will be made regarding future research in the field of nightlife entertainment in Las Vegas.

### *Purpose*

The purpose of this paper is to gather and analyze the expertise of resort-casino operators on the issues of non-gaming nightlife entertainment in Las Vegas. In particular, I will investigate the impact the current economic situation is having on this segment of the resort-casino. The study will reveal baseline information that will fill the gap in the literature on what information resort operators desire on the nightclub industry. This paper will also address what specific information executives need to know about their customer from future research.

### *Justification*

The growth of the nightlife entertainment sector of Las Vegas has contributed to the changing image of Las Vegas as a destination. It has also provided properties with significant revenue streams. UNLV is currently engaged in a research project with the Titan Nightlife Group to better understand the profile and behavior of people who participate in non-gaming nightlife entertainment. As the study plans to utilize exit surveys, the first phase of the project is to develop a valid questionnaire beneficial to all parties involved. The analysis of the perception and needs of the resort-casino will aid in preparing a more valuable and meaningful questionnaire.

### *Constraints*

There is limited empirical literature on the nightclub industry for the literature review. In order to obtain information on specific nightclub practices, some trade journals and articles may have had the interest of a particular venue or company, which may present report bias. Also, as nightclubs in Las Vegas are always changing, the literature review is not certain to reflect the latest information.

Until each property executive on the strip is interviewed, there cannot be a fair assessment of the overall perceptions and needs of Las Vegas properties in general. Due to the lack of responsiveness of many executives for interview sessions, perhaps a result of current corporate financial difficulties, this paper consists of only three interviews. The sample in my paper is not entirely representative of the Las Vegas strip, and the opportunity to capture additional pertinent information may have been missed. Limited to three companies under

MGM, the results do not extend to other corporate cultures, which may have distinctive practices. Also, the interview questions were mostly open-ended, not providing for consistent comparisons of opinions on every issue. However, in sum, the three interviews allowed for concrete information for analysis to support this study.

### *Glossary*

**Nightclub:** a drinking, dancing, socializing and entertainment venue that conducts its primary business after dark (Bianchini, 1995). A nightclub can be distinguished from pubs, or taverns, by the inclusion of a dance floor and a DJ booth, where a DJ plays recorded music (Hollands, 2002).

**Ultra-lounge:** a glamorous cocktail lounge/dance club hybrid (Faramah & Kunz, 2006).

## Part Two

### *Introduction to the Literature Review*

The review of the literature will begin by defining and describing various types of nightlife outlets. An overview of the nighttime economy will then be provided, followed by a discussion of the emergence of nightlife first in our urban culture, and then specifically Las Vegas. The demographics and psychosocial implications of the customer will be reviewed, and a more detailed examination of nightclub operations including innovation, servicecape, bottle service and marketing will follow. The literature review will conclude with an overview of the impacts of the current economic crisis.

### *The Literature Review*

#### *The Nightlife*

The nightclub can be defined as a venue for entertainment, dancing and socializing (Berkley, 1999). Nightclubbing has become a popular form of leisure activity for young people worldwide (Northcote, 2006). Chatterton and Hollands (2001) explain that urban 'playscapes' can be viewed as a mixture of mainstream, residual and alternative spaces. Mainstream nightlife spaces are well-recognized establishments that exist in most large urban centers can be distinguished as the dominant mode of urban nightlife culture. Residual spaces include traditional pubs and market taverns while alternative spaces represent a range of smaller, more differentiated nightlife spaces, which cater to more specific tastes or cultures. Alternative spaces are primarily organized around identities such as sexuality, ethnicity, or certain styles of music.

Unlike the other forms, mainstream spaces are usually run by corporations, which increasingly use strategies such as theming and branding to target cash-rich groups (Chatterton & Hollands, 2001). Hollands (2002) similarly describes mainstream nightlife as corporately owned establishments characterized by hedonistic pleasure seeking behavior, smart attire, circuit drinking, and commercial chart music. Mainstream spaces also encompass the increasing number of 'upgraded' nightlife spaces like style bars and cafés, in an attempt to capture the more lucrative and exclusive consumer markets (Chatterton & Hollands, 2001).

Northcote (2006) portrays the nightclub as a 'mythic metropolis', in the way in which the nightclub amplifies the elements of urbanity. Similar to the activity of city streets, nightclub activities emphasize movement, sound and visual stimulus but on a more concentrated scale. The nightclub environment merges the carefree hedonistic enthusiasm of youth and popular culture with the excitement and freedom of the big city. In contrast to pubs, which generally represent 'homeliness', nightclubs are bustling with music and are irregularly illuminated by strobe lights (Northcote, 2006). Due to the changing priorities of many nightlife operators, 'residual' spaces such as traditional pubs, which have been a common feature of most city centers, have experienced a decline (Chatterton & Hollands, 2001). Nightclubs have become a significant contributor to new entertainment infrastructure rooted in the new global economy (Hollands & Chatterton, 2003).

### *Nighttime Economy*

In the article "Night Cultures, Night Economies", Bianchini (1995) describes the social strengths and potentials of the nighttime economy. Without the social constraints, conventions

and persecutions of the daytime, the night becomes the time of friendship, love, and conversation. It becomes a time for one's own personal development, creating a public demand for maximized access to urban facilities beyond the daytime.

This presents an opportunity for a city to double its economy, particularly in the area of nightlife entertainment (Bianchini, 1995). Along with commerce and culture, Campo & Ryan (2008) explain that nightlife is becoming another principal urban activity. The new urban nightlife is no longer the sophisticated entertainment of the theatre, symphony or ballet, but involves the more basic activities of young city dwellers and suburbanites, who want to drink, dance and have fun (Campo & Ryan, 2008).

Both Berkley (1999) and Bianchini (1995) support the economic opportunities of the nightlife. Berkley (1999) claims that the most tangible and quantifiable benefit of nightclubs is their large market radius. Restaurants, movie theaters and retail stores on their own do not serve as regional attractions. Nightclubs on the other hand draw regular customers from 30 to 60 miles away. Since they attract customers from distant locations, nightclubs also significantly contribute to hotel occupancy. Nightlife can also be a leading factor in drawing convention business. Nightclubs can constantly draw the same clientele back to a given area many times because they feature constantly changing attractions (Berkley, 1999).

Moreover, nightclubs help boost an area's retail sales volume by 'intensifying' the use of existing stores and restaurants, while extending the business day. Even when other businesses are closed for the day, nightclubs draw a steady stream of pedestrian activity, which is seen as an asset by retail businesses. Berkley also notes that nightclubs potentially attract permanent residents as well as businesses to a city. Nightclubs provide entertainment districts with a more

fashionable image. Since the quality of its nightlife is one measure of a city's sophistication, many people prefer to live in glamorous cities that provide vibrant entertainment (Berkley, 1999).

The 1970s and 1980s brought about an increase in public demand for going out and having a good time in many cities around the world (Bianchini, 1995). The author discusses three important factors that contributed to this phenomenon. First, democratization of access to universities in the aftermath of the civil rights movement created an expansion in higher education, bringing about a new audience for night-time activities: students. Second, the post-1968 emergence of a multitude of urban social movements such as gay and black activism, feminism, and community action, spurred cultural events that encouraged groups to go out in large numbers. Third, the increasing availability of disposable income and leisure time was in sync with the growth of youth unemployment and an ageing of urban populations.

According to Hollands and Chatterton (2003), the growth of nighttime activity over the past few decades has fueled the entertainment economy. The authors relate the emergence of the new nightlife economy to economic, political and socio-cultural changes generally characterized by the rubrics of Fordism, post-Fordism and neo-Fordism. To offset manufacturing loss, they suggest capitalism has moved society into a phase of service employment and increased activity in the 'cultural economy'.

Hollands (2002) explains that the nightlife experience of young adults has changed drastically over the past 15 years. This change may be explained by factors such as the introduction of dance music, a decline of live music in favor of DJs and the transformation of traditional pubs into trendy types of café bars or hybrid pub/clubs. Although drug use has also

drastically increased during this period, alcohol remains as the ‘staple ingredient’ of the nightclub (Hollands, 2002). Since the early 1990s, there has been a major growth in the number of nightclubs opening in major cities around the world (Skinner, Kubacki, Parfitt, & Moss, 2008). Holland and Chatterton (2003) mention that business tourism and corporate hospitality have been significant players in pushing nightlife forward. Although there is a lack of analysis on the transformation of cities into ‘hotspots’ for nightlife, the spread of the entertainment culture in United States cities has been termed ‘The Las Vegasization’ of downtowns (Hollands & Chatterton, 2003).

### *Las Vegas Nightlife Entertainment*

The Las Vegas nightclub industry was once considered just a possible accessory to the hospitality industry, but has won over the once-skeptical casino executives on the pursuit for new profit centers. The nightlife is now an essential pillar for Las Vegas Entertainment and even the most traditional resort-casinos have entered the business (Benson & Rake, 2005). Las Vegas began with slot machines and dinner clubs, while the headliners of the ‘50s, 60’s and 70’s were a ‘loss-leader’, designed to bring gamblers into the casinos (Benson & Rake, 2005). Through the 1980s, gaming accounted for as much as 70% of revenues (Woodyard, 2004). Due to the spread of gambling across the country, the late ‘80s brought about a change in the revenue mix (Benson & Rake, 2005).

New resorts were planned with a profit-oriented corporate mentality and Las Vegas entertainment would no longer be treated as loss leaders (Paskevich, 2008). The ‘90s introduced new attractions and profit centers (Benson & Rake, 2005). First, exclusive production shows led

by Cirque du Soleil, and elegant restaurants branded by celebrity chefs arrived. Nightclubs were soon to follow. David Schwartz, the director of UNLV's Center for Gaming Research explains, "Las Vegas has embraced nightclubs because it offers another dimension in a city that is otherwise at risk of losing its novelty, given the nationwide spread of gambling" (Benson & Rake, 2005). Secondary attractions like restaurants, clubs and lounges have helped lure millions of tourists to the ever-evolving strip (O'Brian, 2000). Nightclubs may be valued not just for bringing in money onto a property, but they may also act as a complement to gaming (Benson & Rake, 2005).

Research suggests that a number of Las Vegas visitors who patronize casinos like to partake in other activities in the gaming community rather than just gamble (Moufakkir, Singh, Woud, & Holeck, 2004). The majority of the revenues of a Las Vegas casino-resort now come from rooms, food, drinks and other non-gaming activities (Woodyard, 2004). The large profit margins of nightclubs make partygoers just as important to casinos as gamblers (Benson & Rake, 2005).

Las Vegas tourists were introduced to mainstream nightclubs in the 1990s with venues such as the Palladium, the Shark Club and the Drink, which were all properties outside of casinos. Club Rio was a notable debut, which opened at the Rio hotel-casino in 1995 as the first successful casino-based nightclub. Yet it was the huge success of the underground Club Utopia, which opened in 1996 that paved the way for the casino-based clubs.

Club Utopia raised people's expectations, since patrons no longer accepted small bathrooms and dirty dive bars. Casino executives, club operators and promoters would aim to create a middle ground between Club Utopia and Club Rio. In 1997, Studio 54 opened in the

MGM and RA opened at Luxor simultaneously. Since then, nightclubs have sprouted all along the strip turning Las Vegas into an international nightclub oasis. (O'Brien, 2000)

Today, Las Vegas maintains a clear dominance as a nightclub destination among other large-volume nightclubs in cities such as New York, Miami, Los Angeles, and Chicago. One-fourth of the top 100 venues in the United States are located in Las Vegas (Crecca, 2009). The top two performers are Tao Nightclub at the Venetian, Tryst at The Wynn. The nightclub Pure at Caesars Palace and JET at The Mirage also report revenues up to \$50 million. Table 1 provides the rankings and revenues of the top 20 venues in the country, demonstrating the magnitude Las Vegas exhibits in the nightclub sector. Las Vegas is home to one-half of the top twenty nightclubs in the country.

Table 1.

*Top 20 Venues in the United States*

Rank	Name	Location	2008 Total Revenue
1	Tao Nightclub	Las Vegas, NV	\$50-60M
2	Tryst	Las Vegas, NV	\$35-50M
3	Pink Elephant	New York, NY	\$35-50M
4	Pure	Las Vegas, NV	\$35-50M
5	JET	Las Vegas, NV	\$35-50M
6	Mansion	Miami, FL	\$35-50M
7	The Bank Nightclub	Las Vegas, NV	\$35-50M
8	LAX	Las Vegas, NV	\$25-35M
9	Full Throttle Saloon	Sturgis, SD	\$25-35M
10	Seacrets Nite Club	Ocean City, MD	\$25-35M
11	Body English	Las Vegas, NV	\$15-25M
12	Moon Nightclub	Las Vegas, NV	\$15-25M
13	ghostbar	Las Vegas, NV	\$15-25M
14	Billy Bob's Texas	Fort Worth, TX	\$10-20M
15	Crobar	Chicago, IL	\$10-20M
16	LOVE Night Club	Washington, D.C.	\$10-20M
17	Prive	Las Vegas, NV	\$10-20M
18	Soundbar	Chicago, IL	\$10-20M
19	The Highlands	Hollywood, CA	\$10-20M
20	Avalon	Los Angeles, CA	\$10-20M

Source: Nightclub & Bar Technomic Inc., 2009

Las Vegas has been experimenting with new twists to its entertainment experience. The ultra-lounge, which is defined as “a glamorous cocktail lounge/dance club hybrid”, is packaged as an upscale place to lounge, dine and drink for who desire the more sophisticated and mature atmosphere (Faramah & Kunz, 2006). The pool scene is another recent development in Las Vegas, as resort pool areas are transformed into out-door daytime clubs where guests can party or relax to DJ music (Faramah & Kunz, 2006).

Just before the onset of the nightclub craze, Las Vegas went through a family-friendly phase. MGM had opened a theme park, and other casinos such as Circus Circus and Excalibur provided family oriented environments and service offerings. However, casino executives soon realized that parents were too time-pressed with their children to gamble (Woodyard, 2004).

Nightclubs have become the new headliners in a city defined by its entertainment contributing to the shift in Las Vegas toward adult fare (Benson & Rake, 2005). Las Vegas now markets to a crowd 21 and over, drawn by the campaign of “What happens here, stays here” (Benson & Rake, 2005). A 2004 trade show survey revealed that 71% of casino executives expected that resorts would redesign their properties with young customers in mind (Woodyard, 2004).

### *The Customer*

#### *Demographics*

Young adults are more likely to frequent nightclubs than the general population. Both Northcote (2006) and Berkley (1999) agree that it is the excitement, energy and novelty of nightclubbing that seem to attract young people to nightclubs. Northcote (2006) describes the

'raw youthful emotions' found in the club setting to be associated with music, dance, sexuality, alcohol and visual stimulation.

Wealthy young adults ages 21-39 have replaced the 50 year old gambler as the Las Vegas' main target focus (Le Draoulec, 2007). It is reported that heavy spenders are relatively younger and more affluent than their counterparts in casino destinations (Moufakkir et al, 2004). Hollands and Chatterton (2003) argue that nightclubs are not meant for low income, unemployed and welfare dependent groups, who would only cause suspicion and surveillance. There is however, an existing need for those in lower and routine service jobs for weekend escapism (Hollands, 2002).

Hollands (2002) regards the weekend as a sacred time when one can be away from the watch of employers, and as a time for indulging and letting go. The rise of incomes among professional classes and wealthy city dwellers has stimulated demand for nightlife entertainment. Yet Hollands and Chatterton (2003) argue that it is the heightened power of the new service middle-class, the primary focus for various consumer market segments, leads the renaissance of urban nightlife. Young, cash-rich professionals and city dwellers are the industry's favorite consumers, yet operators may face less risk by catering to middle-class tastes versus premium lifestyle preferences (Hollands & Chatterton, 2003).

### *Psycho-social Implications*

Nightclubbing is a meaningful and active relationship that produces identities and experiences (Hollands, 2002). Hollands (2002) explains the lack of rigid structure or internal logic of nightclub activity, and emphasizes the 'fleeting' and 'loose' forms of socialization it

produces. Free time of leisure is described as a critical moment when young people can express their identity (Northcote, 2006). Nightclubs become temporary places for social interaction, providing intense but short-term moments of belonging and 'ecstasy' (Hollands, 2002). Independence may also be affirmed in the nightclub, as the dance-floor is the primary place to express individuality (Northcote, 2006).

In the article "Nightclubbing and the Search for Identity: Making the Transition from Childhood to Adulthood in an Urban Milieu", Northcote (2006) examines nightclubbing in terms of a young adult's informal rite of passage. The author claims that nightclubs are a popular location for rites of passage because nightclubs possess status as adult icons. Young adults associate mature adults with outward signs such as clothes, money, and a sophisticated demeanor. Furthermore, young adults view nightclubs as establishments where the adult role can be enacted in a socially appropriate manner.

Northcote (2006) also discusses the notion that although club-goers 'party like there is no tomorrow', intense anxiety may lie beneath their hedonistic behavior. Club-goers know that when the clubs close, they will have to confront the issues of the structured world such as family and career. The anxieties also relate to specific 'status-defining' objectives such as successful self-presentation, identification with the wider crowd in the nightclub and successful interaction with the opposite sex. In this way, Northcote reveals that young people construct their rite of passage into adult lives by identity formations through experimenting with courtship and reaffirming independence.

Clubbing permits young adults to reaffirm their personal relationships, providing at the same time, a means to explore categorical and structural identities in an urban environment

(Northcote, 2006). For club goers, personal relationships primarily revolve around their peers. Clubbing is rarely done alone, and networks of friends are the pool from which club goers draw a group for an outing. Structural relationships, derived from areas such as work, education, and family, create the basis of a “structural identity”, an identity tightly embedded in institutionalized roles defined by society. Northcote suggests that these structures set the stage for much of the activity characteristics of clubbing practices.

Categorical relationships are based on outward characteristics such as style of clothes, which are central to the clubbing experience. These relationships help young adults in establishing an independent identity, which is part of the transition process into adulthood. Northcote stresses the importance of “impression management” in understanding nightclub practices, since the nightclub is an environment of strangers evaluating one another based on first impressions. The author suggests that for female club goers, makeup, hairstyle and clothing are the most important facets of presentation. Males on the other hand, are not as involved in the preparatory stage, but manage their impressions by looking “cool”, which may include dressing to impress, or the use of body language in terms of looking confident and purposeful.

### *The Operations*

#### *Innovation*

Hollands (2002) describes the global phenomenon of “club-culture” as derived from the role of media as well as the increased mobility of young people. Skinner et al. (2008) claim that the hedonistic tendency of club goers leads them to an urge to constantly search for something new. Targeting this group, venues that strive to be the “cool” or “in” place face customers that

are already looking for the next popular spot. Young people move easily in and out of particular styles, forms of music and temporary communities rather than remain committed to a static and formal society (Hollands, 2002). Nightclubs are certain to be profitable to the company as long as the concept does not become outdated (Draoulec, 2007).

Due to the constant change in trends and market needs of the nightclub market, operators are inclined to constantly reinvent themselves (Capp, 2007). They must adapt to new trends and sometimes even take on risky innovations (Friess, 2008). The Wynn Las Vegas rebranded one of its existing nightclubs into what is now known as Tryst after just a few months after its opening in 2005. In 2007, the Wynn Las Vegas changed the name and image of its other nightclub Lure into what is now known as Blush nightclub. Other examples of re-openings are the former RA at the Luxor that is now known as LAX and one of the first nightclubs opened on the strip, Light, is now home to The Bank (Capp, 2007).

There are exceptions, since clubs such as Studio 54 and Drai's after hours, have been operating for over ten years with the same concept. Operators may use different approaches to engage the affluence of the 38 million visitors in Las Vegas that want to be entertained each year (Capp, 2007). Maintaining nightclub patrons on the basis of continual innovation can be challenging and other means of competing are necessary (Skinner et al., 2008).

### *Bottle Service*

The trend of bottle service, which has been described as 'bottle fever', is the source of at least half of a nightclub's profits (Le Draoulec, 2007). The profit margin lies in the ability of selling a wholesale bottle of vodka costing the operator \$15 for upwards of \$300 (Benson &

Rake, 2005). Bottle service in a nightclub includes the use of a table and private space for bottles of alcohol, ice and mixers, along with a personal host and waitress (Benson & Rake, 2005). The service can even assure fresh lemon twists as well as a steady flow of attractive women (Le Draoulec, 2007).

Nightclub operators admit that they do not actually charge for the bottle, but for the exclusivity of the overall experience (Gimbel, 2006). Sean Christie, manager of Blush nightclub at Wynn Las Vegas explains that the concept of buying a table is like paying for prime real estate, a spot that everyone else desires (Draoulec, 2007). Those who make reservations in advance to ensure a seat at a nightclub or decide to acquire one on the spot will be adhering to a multiple bottle minimum. Most clubs have a three to four person maximum at a table per bottle (Le Draoulec, 2007).

Forbes conducted a pole in 2007, which found that the city with the most expensive price for bottles was none other than Las Vegas (Le Draoulec, 2007). One nightclub at the Bellagio averaged bills over \$1,000 while the largest nightclub bill recorded at the venue in 2004 was \$43,000 (Miller, 2004). Other extreme examples include bottles of Magnum champagne sold for \$2,600 at Tabú Ultra Lounge at the MGM Grand, as well as designer bottles of Cognac for \$10,000 a bottle. Le Draoulec (2007) actually discusses an actual backlash against the practice of bottle service, as club goers have claimed that dance clubs have turned “elitist”, only catering to the wealthy or VIP clientele.

### *Celebrities*

In order to communicate the image and uniqueness of a destination, marketing plays a key role in communicating the intangible experience that cannot be inspected before it is bought (Veen, 2008). Celebrity endorsements have become a significant element of advertising campaigns for destination marketing organizations and are most appropriate when products involve high social and psychological risk (Atkin & Block, 1983). Research suggests that consumers tend to purchase products and services that are not only congruent with their own self-images, but also ideal social images that they desire to have (Lee, 2003).

A celebrity not only generates buzz for the nightclub, but also delivers more customers who are willing to pay a cover charge, who will purchase \$15 cocktails or \$500 for a bottle of vodka or champagne (Dillon, 2007). Lee (2003) suggests marketers to develop tools to continuously monitor customers' perception of image, since positive hotel image leads to repeat intention. A "symbolic" appeal is considered a key strategic decision in marketing to the customer (Lee, 2003).

In return for making an appearance and walking the red carpet, celebrities may receive free goodies along with a large paycheck. Pure paid \$150,000 on New Year's Eve to have Nicky Hilton and her boyfriend in their nightclub, while Kelly Monaco received airfare, a hotel room and money to gamble along with a table at the nightclub to celebrate her 30<sup>th</sup> birthday at Jet (Miller, 2006). NBA stars may receive appearance fees ranging from \$5,000 to \$30,000 and some models can command \$2,500 to \$25,000. Britney Spears was paid \$83,000 to attend the New Year's Eve celebration at Pure, considered money well spent by Pure Nightclub's manager Steve Davidovici, since the table close to Spears was sold for \$50,000 just to be near the singer (Dillon, 2007).

Andrew Sasson, one of the Jet and LightGroup co-owner explains that every operator in the nightclub industry will pay to have celebrities in house, but the difference is how much they are willing to pay for the appearances (Miller, 2006). Yet Victor Drai of Drai's afterhours and managing partner of Tryst at Wynn Las Vegas, does not approve of this strategy and makes his VIP's customers pay for their own tables and drinks at Tryst (Miller, 2006).

### *Serviscape*

As in hospitality settings, there is a link between atmosphere and service quality in the nightclub arena (Skinner et al., 2008). Bitner's findings (1992) suggest that the environment can physiologically and emotionally affect customers, and that servicescape influences the feelings or beliefs of individuals. Atmospherics include the physical design and décor, which influence behavior in customers and employees, while creating a firm's image (Mayer & Johnson, 2003). Visual cues and preferences of a nightclub are a critical element, in that it creates certain effects in customers, who prefer elements perceived as pleasurable (Skinner et al., 2008). Johnson, Mayer and Champaner (2004) stress that the physical surroundings of the service facility greatly impact customer satisfaction. Effective management of a nightclub's servicescape affects both the customer's perceptions about the place and his or her behavior once in it (Skinner et al., 2008). Management should make every effort to evaluate the effect that a pleasant and positive environment has on the customer (Mayer & Johnson, 2003), and continually evaluate the quality of the servicescape through such mechanisms as visual inspections, competition comparison and customer comments (Johnson, Mayer, & Champaner, 2004).

Although there is considerable amount of research of U.S. based casino atmospherics, studies on customer preferences in Europe (Skinner et al., 2008; Kubacki, 2006) is also examined in this paper. Floor layout and theme are found to be the most significant factor of the casino

atmosphere (Mayer & Johnson, 2003). In the study of nightclub attendants in Poland, music was the main atmospheric appeal followed by lighting and the scent of the air (Skinner et al., 2008). Respondents in Poland also favored spatial functionality and layout of the nightclub, demonstrating a preference of group seating. The majority, who found comfortable seating very important explained that they needed somewhere to sit and relax with friends who may not like to dance. In regards to dance floor location, respondents preferred being surrounded by people on all sides (Skinner et al., 2008).

### *Data & Research*

The literature has established that businesses in the nighttime economy can gain and maintain competitive advantage through the study of consumer preferences. Miller (2004) regards the practices of a nightclub at the Bellagio as a 'social register' in the way in which the operators keep a database of the customers. A database system keeps track of just about every customer, allowing hosts to instantly tell what clients drank, where they sat and who their cocktail waitress was. This allows the nightclub to treat occasional guests with the same personal familiarity as the regulars (Miller, 2004).

Further study of customers outside the operations provides a wide range of business applications as well. In the entertainment sector of the hospitality industry, where theme-based positioning is popular, Christodoulidou, Kinc

aid, and Erdem (2006) express the challenge of establishing market awareness along with creating product identity. Through an intercept survey of Las Vegas lounge customers, the results of their study allow potential lounge owners to forecast the themes that certain

demographic groups may expect. With the focus of understanding gender differences in preferences, a study by Moss, Parfitt, and Skinner (2008) revealed that while women are primarily motivated by separate seating, music and the quality of the exterior décor, the prime motivator for male customers for first and subsequent visits is the presence of female customers.

The responses of such studies can be useful information that industry professionals can use to better allocate their resources in determining concept, design and branding of their venues (Christodoulidou, Kincaid, & Erdem, 2006). Preferences and expectations for price and non-price mechanisms of differentiation can help to shape products and services around the needs of customers. The late night economy is in need of further research to address factors that both affect and link customer attitudes, behavior and intention to purchase (Moss, Parfitt, and Skinner, 2008).

### *The Current Economic Impacts*

Las Vegas was once thought to be resistant to the economic swings suffered by the rest of the country. The aftermath of September 11<sup>th</sup> was the only time gaming revenues fell since 1970 (Friess, 2008). Friess believes that the reason for Las Vegas being more susceptible to this economic crisis is the diversification of the visitation mix. Since the last downturn, there has been a significant increase in nongaming activities, and the Las Vegas consumer is different than it once was (Friess, 2008).

The once blazing Las Vegas nightclub industry has reported downsizing, decreased business and the slashing of celebrity fees. Although celebrities like Paris Hilton, Britney Spears, Mariah Carey and Jessica Simpson may still receive more than \$100,000, the free spending

three-year run on celebrities have been dramatically cut back. One source reveals that celebrities that were getting \$30,000 to \$40,000 a night are now lucky to receive \$10,000 (Clark, 2008).

According to Rilling (2008), the days of frivolous partying may be over. The Las Vegas Review Journal reported that business was down 10 percent before the market crash, and the October 2008 article reported a 20 to 25 percent loss in business (Clarke, 2008). Due to the economic crisis, even those with money are hesitant to spend \$500 on a bottle of vodka that they know they can purchase at Costco for \$30. With the exception of a few, people cannot afford bottle service these days. The majority of the nightclub industry has recognized the recent shift in the nightlife market. Increased deals to entice patrons indicate that an emerging buyers market of nightclub real estate is replacing the seller market of the past five years. With comp-bottle promotions, clubs are attempting to give back to the patrons in order to earn venue support and loyalty (Rilling, 2008).

Cherry, the nightclub at Red Rock Resort has been offering a “Stimulus package promotion” that has even been enticing tourists. More than 80 percent of the nightclub caters to the local clientele, so they have been focusing on treating customers in a way that will keep them coming back. The “Bottle Bailout” is a \$100 bottle of Skyy vodka at a table, and is available on Friday nights for guests who arrive between 10p.m. and midnight. There are also promotional giveaways where 50 guests can win a prize for just showing up. (Padgett, 2009)

Some operators claim that fewer people are going out as much, but others maintain that people will always come to Vegas to party, and still want to drink (Rilling, 2008). Despite the slowdown, some developers still seem willing to bet on the future of Las Vegas, as more than \$30 billion in new construction is planned for the strip. One nightclub manager reportedly stated

in 2005, “As long as Vegas continues to be fun, as long as we continue to develop that as a city, that market segment is getting bigger” and there will be more room in this town for nightclubs (Benson & Rake, 2005).

Rilling (2008) reports several varying opinions of nightclub operators and promoters as to where they believe the industry is heading. It is argued that more emphasis must be placed on catering to general patrons through admissions, passes and wristbands. The days of hustling people at the door may now be over, and the VIP will not be the only customer respected. As it will no longer be just about bottle service, one operator explains that Las Vegas nightclubs will have to become more value focused and build brand loyalty in order to succeed. Others believe that maintaining a core local following will be key. Furthermore, clubs have recently formed stronger alliances, and multiple venues supporting one another may help nightclubs maintain a following (Rilling, 2008).

### *The Conclusion of the Literature Review*

In a city defined by its entertainment, nightclubs have become the new headliners of Las Vegas, contributing to the shift toward adult fare as a destination. The nightclub plays a significant role in the nighttime economy, and it has become a substantial generator of revenues for Las Vegas resort-casinos. Young adults are the target market of this phenomenon that has provided tremendous opportunity as well as challenges in operations in innovation, bottle service, servicescape and marketing. The current economic crisis has increased the challenges faced by operators and will require implementation of new practices in order to succeed.

Research is shown to provide valuable information for improving business operations through examining and evaluating the customer.

## Part Three

### *Introduction*

Part Three of the paper presents the results of the interviews conducted with Las Vegas casino-resort executives. The first interview was with Bill Hornbuckle, the President and Chief Operating Officer of Mandalay Bay Resort & Casino. The second interview was with Anton Nikodemus, the president and Chief Operating Officer of the Monte Carlo. The third interview was with Scott Sibella, the President and Chief Operating Officer of the Mirage. The information that these executives provide addresses many current issues pertaining to the Las Vegas nightlife entertainment sector in general, as well as specific practices of their operations. The conclusion will draw together the underlying themes to fill the gaps in the literature review.

### *Results*

#### *Interview 1: Bill Hornbuckle, Mandalay Bay Resort & Casino*

Hornbuckle describes nightclubs as the catalyst to the resurgence of Las Vegas over the last decade based on a sexier, younger, escape destination. He believes that in the last 5 or 6 years, Las Vegas has brought in the “fourth generation of customers who didn’t see Las Vegas as a Cadillac, but as a Corvette”. Hornbuckle explains, “We literally made it the nightclub capital of the world, and when we promote Vegas as the entertainment capital of the world, it is a piece of people’s entertainment”.

Rum Jungle, Mix, and Forty Deuce are Mandalay Bay’s main source of non-gaming nightlife entertainment. Hornbuckle explains that 73 percent of Mandalay Bay’s revenues are

currently non-gaming: “So we operate more like a normalized hotel, as hospitality would call it, but at a much larger scale of course”. He gives a chuckle when he explains how good profit margins are when it has anything to do with alcohol.

The key drivers or the “foundation” of Mandalay Bay are its conventions, yet The Hotel at Mandalay Bay is the boutique part of the property that attracts a younger crowd of nightlife party-goers. Hornbuckle explains that the core audience for nightclubs is still some local contingents along with the younger “FIT” crowd, which he describes as those coming independently from southern California. Hornbuckle explains that these “FITs” are just looking for a good time and may not be nightclub savvy yet, starting through trial and eventually figuring out their preferences. Hornbuckle admits that although Mandalay Bay can be a player in the nightlife sector, MGM as a company has more significant clubs.

Hornbuckle feels that Mandalay Bay got left behind as a property as the nightclub business was escalating, with clubs like Pure raking in revenues of \$55 million, or “some silly number like that”. Since Mandalay Bay’s outside independent operators did not have the capital to keep pace with the mega clubs, Hornbuckle admits guests would leave the property on the weekends: “We have a magnificent pool, that whole crowd that drives that is a great nightclub crowd, but we don’t have the same kind of thing that we would love to have to keep them here.” Yet Hornbuckle points out that what happened in the last three years does not even matter anymore because it is going to be completely different going forward.

Hornbuckle stresses how dramatically the economic recession has changed the face of the nightlife entertainment. He admits, “Our clubs are down 30%, give or take, some are doing better”. He explains that the ability to get 2,3, or 4 million dollars in cover charges are now a

thing of the past. Mandalay Bay has not charged a cover fee at the door since Super Bowl and prior to that was New Year's Eve. He attributes this to two factors, first visitation, since less people are showing up to Las Vegas, and second to economics, since those who come still have less disposable money to "blow through a bottle of vodka".

Hornbuckle explains his concept of "thousand dollar millionaires" as young adults in their late 20s and early 30s who do not have all the money in the world, but will spend all the money they have. "They spend \$350 for a bottle of vodka because of the environment, they could care less about the vodka", Hornbuckle says. Since this segment of the market has significantly decreased their ability to spend, the executive explains that the industry has become very competitive. Mandalay Bay has even taken its bottle service and reduced it in half, literally selling bottles half-filled in order to keep the "vibe" and the "experience" at a number people can afford.

Hornbuckle believes that like anything, Las Vegas has gotten to a point with its nightclubs, where enough is enough. Beyond City Center, he predicts little growth. However, he expects many of them to be made over, as even Mandalay Bay will continue to push their partners to invest, however difficult it may be now. He explains the challenge in keeping clubs fresh and exciting enough: "Nightclubs are a lot like restaurants, it's what's hot, what now, what's the newest greatest, best. The mentality of customers now is that they get board pretty quick." Hornbuckle predicts that Las Vegas nightclubs will have to take a more specific attitude and personality that differentiates itself from others: "whether its gay and lesbian, older rock crowd, or techno crowd, whatever it is, the generalist probably won't do as well".

When asked about the type of questions he would want to ask in a short survey, he quickly replies “simple questions”. He predicts that it will not be an easy task since most of the respondents will be drunk. What would be interesting for Hornbuckle is to see if the location of clubs are driven by the property: “Because XS is at the Wynn, do they have a better class of clientele with a higher spend compared to LAX at the Luxor? Intuitively I would say yes, but I am curious to see how big that gap is”. Hornbuckle wonders if the nightclub has to speak to the crowd within the property or if it can stretch and offer enough to Las Vegas that it can attract customers regardless of the location. Besides demographic profiling and spending habits, he recommends questions such as:

- What motivated you to come here?
- Where are you going next?
- What did you like the least?
- Would you come back, if not why?

#### *Interview 2: Anton Nikodemus*

Although the Monte Carlo does not have a mega club, or a true nightclub, per se, Nikodemus places a tremendous amount of emphasis on non-gaming nightlife entertainment. According the executive, the Monte Carlo strives to have different types of entertainment on the property. “It is a matter of ensuring you have an amenity or entertainment value for everyone”, he explains. At first, Nikodemus firmly suggests that his younger customers would not be centered on nightlife, versus gambling. Yet after a hesitant pause, he resolves to admit that there

is a certain segment that would. Nikodemus mentions “balance” as the company’s key strategic focus.

The Monte Carlo’s target market comprises of 35-50 year olds with an income of just over \$100,000 or more. The property provides different levels of entertainment through their different venues. Their steakhouse BRAND provides a unique nightlife element by featuring live DJs each weekend, transforming the restaurant into a “contemporary ultra lounge”. Diablo’s Cantina provides an outdoor on-the-strip party atmosphere for what Nikodemus labels “the college type”. If their customers desire a true nightclub nightlife entertainment, the Monte Carlo uses their relationship with their sister property New York, New York and have their guests attend their nightclub Rok Vegas.

Nikodemus emphasizes that the more you have a customer on property, the more money they will spend at your property. He mentions a study that showed that an average customer visits 2.5 casinos while in Vegas, not including the one they are staying at. He discusses his focus on improving the company’s ability to reduce this statistic: “If they are having a great time on property and don’t have to walk out onto the strip, there is a greater opportunity that whatever incremental cash that they brought with them is spent on the property.” Yet this fundamental concept has been undermined by the economic conditions that have brought about reduced consumer spending.

Nikodemus believes that the nightlife entertainment market is just as affected as any other segment by the economy. He describes that the cost conscious consumer is no longer buying as many bottles at the table and paying as much at the door. He predicts that the sector will surely improve since “everyone wants to let loose and blow out some steam and have some

fun for the night”. The ultra lounge at BRAND is off revenue, and this is something Nikodemus will “keep fighting for”. Yet the executive did not specify the impacts on the property’s other venues.

Nikodemus reveals that the economic situation may actually improve the market for medium range price points. Monte Carlo may actually be deriving some benefit from the position of their offerings. Given the fact that Brew Pub, BRAND, and Diablo are “not that highly expensive nightclub”, Nikodemus explains that these venues will be more appealing to the cost conscious consumer.

He mentions that the company is looking into viral methods like Facebook and Twitter especially in reaching out to the younger generation. Nikodemus sees a “huge” opportunity in exit surveys, as it may improve the ways they communicate to customers. He is particularly interested in discovering how customers were marketed so that they can better offer events and specials. He recommends the following questions:

- What clubs have they visited and why?
- How did they find out about the special events or activities?
- What was it that intrigued them to go?

### *Interview 3: Scott Sibella*

The Mirage has placed much emphasis on maximizing non-gaming revenue compared to gaming revenue. Scott Sibella explains that The Mirage is close to 60 percent in non-gaming revenue, he claims was “unheard of seven or eight years ago”. These days, there are much better

margins in non-gaming, “It used to be that you have the loss leaders, like the buffet and food and beverage outlets. Well in today’s world, everything is a profit center”. JET nightclub at the Mirage is one of Las Vegas’ mega clubs. Sibella is amazed at the high profit margins of bottle service and fascinated by how young people spend so much at nightclubs. Although the property’s demographics consist of 30-65 year olds, “It doesn’t mean we don’t have 20 year olds running around”.

Sibella explains that the Mirage is careful not to alienate the older customers who have been coming to the property while at the same time tries to attract the younger customer that is attracted to the nightclub. When marketing JET, they try to avoid placing advertisements where the older customer might see it. Sibella emphasizes that the nightclub is not meant to interfere with the rest of the facility. He nonchalantly explains, “I am not into maybe they’ll drink more and gamble. I don’t care what they do in the casino, we do good there already. If they come in, it’s only better.”

Sibella describes the economic situation as having impacted every aspect of the casino, as they are down 20 percent. Customers are not spending as much money as they used to, but Sibella admits that they are still doing okay. He thinks that Las Vegas is close to being overbuilt with nightclubs and does not foresee excessive spending on mega clubs any longer: “No one is going to build these mega clubs, they are too risky. “So they are going to be smaller clubs, for 300 to 400 people, not for a thousand.” Sibella predicts that the clubs that will survive will continue to be the ones associated with good properties, provide easy access, and offers other amenities.

In terms of exit surveys, Sibella is concerned with the experience in order to get the customers to come back. He says he is into a “clean” club, and would want to know if any illegal activity was going on. He recommends the following questions:

- Did you enjoy yourself?
- Did you feel safe?
- Was it dirty?
- Did anyone sell you drugs?
- Did you feel comfortable?
- Did you feel safe?
- Would you come back?

### *Conclusion*

There is no doubt that each executive places a tremendous amount of focus and interest in the business of non-gaming nightlife entertainment. As the literature review supports, the executives are quite aware of the value of the younger generation, and the cash they are willing to spend. Although the findings represent just a few of the other Las Vegas resort-casinos, the three properties cover the parameter of the various types of non-gaming nightlife entertainment offerings.

The Mirage is home to the mega club JET, competing with the top performers in the industry. Mandalay Bay’s several nightclubs and ultra-lounges attempt to fight the competition. The Monte Carlo, with lower cost structures, is an example of a property still tremendously

interested in nightlife entertainment though it lacks a true nightclub. The knowledge and opinions of these executives are reflective of their experience in the resort-casino business and serve as an excellent source of information about the actual entities that house the nightclub sector of Las Vegas. Each executive places tremendous focus and interest in nightlife entertainment, but have different approaches to their practices. Through open-ended questions, their answers led to perceptions that were interestingly reflective of their own personal character as well as the image of the property.

Bill Hornbuckle seemed to be the most informed executive regarding the Las Vegas nightlife sector. He seemed passionate and highly involved in the development of Mandalay Bay's nightlife offerings to conventioners and partygoers. The executive was responsible for the major renovation of the casino's center bar, which was purposely designed to provide a lounge/nightclub type of atmosphere. Although Mandalay Bay is able to attract the younger nightclub demographic as guests of the hotel, being so further south on the Strip, Hornbuckle feels he is losing opportunity to his competitors. While the Monte Carlo may not be stealing any of Hornbuckle's guests, Anton Nikodemus definitely desires to be a player in the nightlife market.

It is apparent from the interview that Anton Nikodemus is an executive with a marketing background, or marketing at least plays a key role in his nightlife strategies at the Monte Carlo. Although the property provides a lower price range of nightlife venues compared to the mainstream players, Nikodemus turns the restaurant BRAND into an ultra-lounge in order to compete with the higher level of entertainment. He is determined to provide a variety of nightlife venues to cater to all segments of his target market. Although they may not come to the Monte Carlo as partygoers, Nikodemus ensures that he is able to provide this sort of entertainment so

they may more likely keep their customers on property. The executive also speaks of the importance of tracking his customer's nightlife entertainment preferences for direct marketing purposes. The Mirage is also particular about marketing, but for a more indirect strategy.

Scott Sibella takes a conservative approach in handling the nightlife at the Mirage, as he up holds the reputation of the property itself. His own values of cleanliness and safety that are instilled in his practices are topics unmentioned by the other executives. It is important to Sibella that the older customers are not subjected to the advertisements of the nightclub, so as to protect Mirage's image. Recently celebrating its 20-year anniversary, The Mirage is the oldest of the three properties and Sibella prudently prevents alienation of the customers that have remained loyal to the property. At the same time, Sibella has ensured that the Mirage was not missing out on exciting opportunities of the business of nightlife entertainment.

While the companies clearly recognize the shift caused by the nightclub boom, the paradigm is changing again, as the economic crisis dramatically affects many aspects of the nightclub market. All respondents explain that recent decline in revenue are a result of the customer's hesitation to spend during these turbulent times. Hornbuckle attributes the decrease in visitation as the primary problem, but admits that the big spenders are not spending as much as they used to. Even if visitation bounces back, each executive recognizes that the nightlife business will no longer be the same.

There is a consensus that Las Vegas is facing an oversupply of nightclubs, and this has ignited increased competition. Although the companies are unlikely to provide the market with more venues, they will certainly make efforts to attract and retain customers. Monte Carlo's lower level venues may be performing better than the more expensive high-end clubs, but

Nikodemus proposes that he will “keep fighting” for the ultra-lounge at BRAND. Mandalay Bay is already practicing promotional strategies such as offering half-bottles and will continue to invest in nightlife. Even though JET is experiencing a loss, Sibella remains complacent with the returns. Business may be down, but the demand for this type of nightlife still exists.

As long as the desire for entertainment in the nighttime economy is present, Las Vegas corporations will keep pursuing the great profit margins reaped from the sale of alcohol. Yet as Hornbuckle mentions, it is not the alcohol, but the “experience and vibe” that is the key element to this service sector. The executive predicts that nightclubs will have to start differentiating themselves from one another in order to succeed. The future of the Las Vegas nightlife industry will require further innovation and adaptation to the needs of the customer. This lucrative business is unlikely to dissipate if the focus remains on satisfying the customer.

### *Recommendations*

The Las Vegas nightlife industry is currently in a period of transition, but there is uncertainty to what the future will hold. What is evident in this ever-evolving industry is that nightlife practices will have to develop with the customer in mind. During the economic slowdown, good customer service, loyalty incentives and perceived value may determine which clubs succeed. Research should be gathered regarding consumer tastes, preferences, habits, perceptions and behavior.

Exit surveys may be difficult in an environment where respondents may be intoxicated, so simple questions are recommended. Other research tools should be explored, such as analyzing the vast availability of quantitative data through multiple-regression. Internet or email

surveys may also be more practical methods. As Anton Nikodemus mentions, social networking sites are a great way to reach out to the younger generation. They may also provide a means for gathering valuable data.

Effective research methods will allow companies to mold venues that provide the greatest satisfaction for the maximum amount of profit. Since competition will continue to escalate, it will be ideal to explore effective marketing practices through research. If Hornbuckle's foreshadowing of the end of generalist clubs is indeed accurate, consumer trends and preferences will become a critical element of research. Identifying the changing values, interests and needs of partygoers will also aid in effective marketing messages.

This is a ripe time for conducting research and capturing data about those who participate in the nightlife sector. Las Vegas has been described as the classic test market for any trendsetting endeavor in the nightlife scene (Faramah & Kunz, 2006). What happens in Vegas does not need to stay here, for the research conducted in the entertainment capital of the world may have beneficial applications in other major cities with nightlife. Furthermore, collecting consumer behavior patterns relating to economic conditions may equip companies with proper measures to take in the future, for the industry will surely face further ups and downs of the economic cycles to come.

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