

Fall 2012

Capturing the Chinese Outbound Tourism Market: Lessons for Las Vegas Casino Operators

Wilson Wan

University of Nevada, Las Vegas

Follow this and additional works at: <https://digitalscholarship.unlv.edu/thesesdissertations>

 Part of the [Hospitality Administration and Management Commons](#), [Marketing Commons](#), and the [Tourism and Travel Commons](#)

Repository Citation

Wan, Wilson, "Capturing the Chinese Outbound Tourism Market: Lessons for Las Vegas Casino Operators" (2012). *UNLV Theses, Dissertations, Professional Papers, and Capstones*. 1484.

<https://digitalscholarship.unlv.edu/thesesdissertations/1484>

This Professional Paper is brought to you for free and open access by Digital Scholarship@UNLV. It has been accepted for inclusion in UNLV Theses, Dissertations, Professional Papers, and Capstones by an authorized administrator of Digital Scholarship@UNLV. For more information, please contact digitalscholarship@unlv.edu.

Capturing the Chinese Outbound Tourism Market:
Lessons for Las Vegas Casino Operators

Wilson Wan

A professional paper submitted in partial fulfillment of the requirements for

Master of Science Hotel Administration
William F. Harrah College of Hotel Administration

Graduate College
University of Nevada, Las Vegas
December 2012

Chair: Dr. Bo Bernhard

PART ONE

Introduction

China has become a fast rising economic power and its GDP is expected to overtake America's in about 6 years (How to get a date, 2011). As a result of the increase in wealth, the Chinese middle class has been expanding rapidly and now has access to more resources than ever before. With a higher disposable income, the Chinese now have an increased desire, and capability, to travel the world. In preparation for the increase in outbound Chinese travelers, it would be wise for tourist destinations to be prepared to attract this market and thus capture a part of this wealth.

Las Vegas is a world renowned travel destination and has a history of reinventing itself and developing new strategies to attract visitors. Currently, competition between casinos is fierce and the market in Las Vegas is saturated (Gu & Gao, 2006). Given the Chinese propensity to gamble, Las Vegas may have an advantage over other potential destinations in attracting the growing market of middle class Chinese travelers. This market may be key to remaining profitable in the future. In order to do this, the Las Vegas gaming industry must first understand the cultural values of the Chinese and what motivates them to travel. This information is necessary to adapt current marketing and retention strategies to appeal to this lucrative market.

Las Vegas is not the only gaming destination that will try to attract the Chinese market. Macau, the "Las Vegas of the East", has been immensely successful and already attracts huge amounts of Chinese Visitors. Since 2008, Macau's gaming revenue has been higher than Las Vegas', making Macau the world's top gaming destination. American based casinos have already

begun investing in Macau, but there are also valuable lessons to learn about Chinese traveler motivations which may be put to use in Las Vegas.

Purpose

The purpose of this paper is to examine the characteristics, values, and motives of mainland Chinese travelers to find insight into what the Las Vegas gaming industry can do to benefit from the increase in outbound Chinese tourism.

Statement of Objective

Through a review of statistical trends and current literature, we seek to identify strategies that the Las Vegas gaming industry can use to attract the growing market of middle class Chinese. We will also examine the success of Macau to find further insight into how Las Vegas can remain a competitive gaming destination.

Justification

As the middle class grows in China, so will the desire and ability to travel. In 2010, 57.39 million mainland Chinese traveled outside their country (National Bureau of Statistics of China [NBSC], 2011). Despite the world recession, this number is a 20.4% increase from 2011.

Although a majority of this travel is currently to other Asian countries, the US Office of Travel and Tourism Industry [OTTI] is forecasting major growth in the volume of Chinese visitors. In 2011, Chinese visitors spent \$7.7 billion in the U.S., up 47% from the year before, making the Chinese outbound market the 6th largest to America in terms of visitor spending.

Given the size and growth rate of outbound Chinese travelers, it is important to study this market to try and capture some of the revenue generated from it. To do this, we must first gain an

understanding of current trends in Chinese outbound travel, as well as Chinese cultural values and travel motivations. Las Vegas is a world renowned gaming and leisure destination because it has always been innovative in its attempts to attract and appeal to various markets. If the Gaming industry can appeal to Chinese travelers, it may be able to reap great profit from it.

Constraints

As with any paper, there are several constraints which we must consider when analyzing the data and making conclusions and recommendations. First, this paper emerges at the tail end of an economic downturn and so some of the information from 2007 up until now may not be representative of the actual trend. Second, because the bulk of this paper is an amalgamation of literature, conclusions and recommendations may be limited by problems of generalizability. Methods and motivations which apply to Westerners may not apply to the Chinese. Also, it is important to note the difference between mainland Chinese, Chinese from Hong Kong, and Chinese from Taiwan. Studies and statistics which focus on one group may not be representative of the others.

Because of the previously mentioned constraints that we face, the recommendations and conclusions that we reach may not have the desired or expected impact on Chinese travelers. More accurate recommendations can be made only if we have more specific data and literature on Mainland Chinese travelers to Las Vegas. Until we have that, we can only make educated conjectures.

PART TWO

Introduction

In this section of the paper we will analyze the relevant literature which is necessary to developing our conclusions and recommendations. The literature review is divided into three sections. First we will review the literature on outbound Chinese tourism in order to identify the motives for travel and the factors that influence these motives. Second, we will review the literature on casino tourism in Las Vegas with emphasis on how to attract and retain customers. Finally, we will examine the factors which have contributed to Macau's overwhelming success as a gaming destination.

Outbound Chinese Tourism

To understand the importance of appealing to the Chinese travelers, we must first analyze the trends in current outbound Chinese tourism. This will provide the justification for why it is worth our time to target this market. We will then discuss the literature regarding Chinese cultural values in an effort to further understand the motivations for travel, as well as the factors that influence these motivations.

Current trends in outbound Chinese travel.

Mainland Chinese have been traveling outside of China in record numbers. Current data from 2010 shows 57.39 million mainland Chinese traveled outside of China (National Bureau of Statistics of China [NBSC], 2011). Despite the world recession, this was a 20.4 % increase from the year before. For comparison, the US outbound travel market numbered 60.3 million in 2010,

down 2% from the year before(OTTI, 2011). Although the decline in outbound US travel may be due to the current recession, the historical data suggests that the growth of outbound US travel has been weak over the course of the past 10 years.

Currently, most of the travelers from China are heading to other Asian Countries. In 2004, 42.5% of outbound Chinese tourists went to Hong Kong while 33% went to Macau (World Travel and Tourism Council [WTTC], 2006). As of 2006, the United States was ranked 7th in terms of choice destination (WTTC, 2006). However, the Chinese are visiting the US in increasing numbers. Slightly over 1 million Chinese visited America in 2011, and this number is forecasted to increase 198% by 2016 (OTTI, 2012). No other country is expected to have such strong growth of outbound travelers.

The sheer volume of expected Chinese travel is not the only reason to cater to this market. Chinese tourists abroad enjoy shopping as one of their favorite past times and they tend to spend, on average, about \$1000 a day (WTTC, 2006). In 2011, Chinese visitors spent \$7.7 billion in the U.S., up 47% from the year before, making the Chinese outbound market the 6th largest to America in terms of visitor spending (OTTI, 2012).

Cultural characteristics of Chinese.

Given the rising economic power China, there is obviously a great interest in appealing to Chinese consumers. Because consumer preferences are determined by values, the first step to understanding how to appeal to the Chinese is to understand the key differences between Chinese and Western cultural values. Research done by Mok and Defranco (2008) identify six cultural values that the Chinese place great importance in: respect for authority, interdependence, face,

group orientation, harmony, and external attribution (superstition).

Out of these cultural values, “face” may be the most difficult to understand from a western viewpoint. Saving face refers to escaping humiliation - when one's face is harmed, a sense of shame arises. In Chinese society, it is important to help others save face. As a result of this, Chinese are often hesitant to criticize others. Additionally, “Face” also refers to the prestige that one can acquire through social achievements like wealth, talents, social status, and scholarship (Mok & Defranco, 2008).

The concept of interdependence involves doing favors for others as social investments with the expectation that favors will be done in return (Mok & Defranco, 2008). This cultural habit, combined with having high respect for authority, may explain why Chinese shop so much when abroad – giving gifts to your elders is a way to show respect. Additionally, gift giving is a way to establish and cultivate relationships with others.

In a collectivistic society, individuals are encouraged to be agreeable and seek harmony in their relationships. (Templer, 2012). This emphasis on conformity and agreeableness makes behavior more variable and dependent on social contexts. For example, Asians tend to work harder when in groups to match the level of output of their peers (Hong, Wyer & Fong, 2008) because they do not want to feel shame (lose face) for holding the group back. Additionally, they are more likely to match the output of their peers when the results of their performance will be made public.

Motivations for travel.

In a survey of potential Chinese travelers to Australia, Sparks and Wen Pan (2009) found

that the most important factors determining whether or not to travel were the 'natural beauty and icons' of a destination, 'quality infrastructure', 'autonomy', 'inspirational motives', and 'social self-enhancement'. Another survey of travelers to Canada found that the underlying motives which may push Chinese to travel were prestige, family ties, exploration, and escape/leisure (Zu, 2011).

The Chinese concept of “face” is the underlying reason that Chinese cite 'prestige' or 'social self-enhancement' as motives to travel. While many studies have found that these are strong motives to travel, Hua and Yu (2011) found that prestige was an especially important motivational factor for tourists visiting the United States. This is likely due to America's reputation for being as a global power, and so a trip to the United States will enhance one's face by a great amount.

Motivational factors were found to be different for the different demographics of Chinese visitors. Older tourists (35+) without kids placed more importance on natural beauty and climate, whereas younger respondents placed more importance on local culture and novel experiences (Sparks & Wen Pan, 2009). Younger and more well-educated travelers also showed a preference for autonomy and partially-packaged tours or independent tours (Sparks & Wen Pan, 2009; Hua & Yu, 2011). Females, singles, and higher educated individuals were especially motivated by the “face-enhancing” aspect of travel (Hua & Yu, 2011).

It is important to note that preferences vary among the different demographics of Chinese travelers. The Chinese outbound market is not homogenous and so when trying to appeal to Chinese visitors, a one-size fits all model may not work. It is also important to consider the changing demographic of chinese outbound tourists. With the increasing wealth of the Chinese

middle class, travel is now more accessible to women and younger generations. Consequently, this is reflected in a shift in the demographics of Chinese visitors (WTTC, 2006).

Appealing to outbound Chinese tourists.

Given the collectivistic culture of the Chinese, it is no surprise that social influences were found to be stronger predictors of travel rather than individual attitudes. Sparks and Wen Pan (2009) found that females were more easily influenced than males, especially by coworkers (versus family, friends, or travel agents). Mok and Defranco (2000) suggest that the Chinese respect for authority makes endorsements by public figures especially influential.

Because Chinese emphasize social relationships and harmony, aggressive selling techniques and advertisements which depict conflict and arguments are not effective (Mok & Defranco, 2000). Instead, advertisements should emphasize harmony and multiculturalism. Sparks and Wen Pan (2009) also analyzed the effectiveness of different sources of travel destination information and found some interesting results. Television was a significant source of information, followed by information from friends, fashion magazines, and travel books. Television was found to be significant in shaping perceived inspirational and social self-enhancement, and shopping aspects of a destination. Information from friends was significant in shaping perceptions of national beauty of a destination.

Ego-enhancement and prestige were strong motivators to travel because of the importance that the Chinese put on “face”. To enhance face, Chinese may be more likely to visit locations that are world renowned, historic, or that have a lot of culture. Hua and Yu (2011) recommend that the US should promote its status as a prestigious destination that is also

intellectually stimulating. Destinations which offer access to luxury brands or services may also appeal to Chinese travelers.

Las Vegas as a Gaming Destination

To get a better understanding of Las Vegas as a gaming destination, we will first analyze current data regarding gaming, revenue, and visitor profiles. Then we look at casino tourism as an industry, specifically in regards to how casinos continue to thrive in spite of fierce competition, and we will examine a few of the techniques that casinos use to attract visitors and create loyal customers.

Current trends in gaming.

The UNLV Center for Gaming Research has released several reports which reveal some very interesting trends in gaming on the Las Vegas Strip. Although slot machines have traditionally been the biggest source of gaming revenue, the report *Major Gaming Jurisdictions – Eleven Year Comparison* reveals that 2010 marked the year when revenue from table games began to surpass revenue from slots. As far as table games are concerned, the report *Las Vegas Strip Table Mix* shows historical trends in revenue from various games as a percentage of total revenue. Although black jack has historically been a major source of revenue, the number of black jack tables, as well as the revenue generated from them, have been on a downward trend since 1985. Baccarat, on the other hand, has been a steadily increasing source of revenue and surpassed the revenue of blackjack for the first time in 2009. Data from 2011 shows that even though Baccarat tables account for only 9.03% of table games, it is responsible for 42.59% of revenue from table games. By contrast, blackjack accounted for 51.4% of table games and only

26.01% of revenue from table games.

The Center for Gaming Research report *Nevada Casinos – Departmental Revenues 1984-2011* breaks down casino revenue from various sources into percentages of total revenue.

Although total revenue from gaming is increasing (aside from a dip due to the recent recession), and gaming is still the largest single generator of revenue, gaming as a percentage of revenue has been on a downward trend since at least 1984. After revenue, the next biggest source of revenue are rooms, followed by food, and other.

Las Vegas visitor profiles.

In order to better understand visitor demographics and trends, the Las Vegas Convention and Visitors Authority publishes monthly and annual data from surveys taken by visitors. The following section goes over relevant findings from the 2011 Las Vegas Visitor Profile Study, as well as findings from two other 2011 Visitor Profile Studies that focus specifically on visitors to the Strip and also international visitors.

Among all visitors to Las Vegas, survey responses indicate a decreasing trend of visitors whose primary purpose is to gamble and an increasing trend of visitors whose primary purpose is for vacation or pleasure. The data also reveals a decreasing trend in the percentage of visitors who gambled while in Las Vegas. Furthermore, among those who did gamble, they seem to be gambling for fewer hours than in the past. A significantly higher percentage of first time visitors were more likely than repeat visitors to cite vacation/pleasure as their primary purpose of visiting (70% vs 46%). Thirteen percent of visitors also visited nearby places either before or after their trip to Las Vegas. Among respondents, 64% have visited, or plan to visit, the Hoover Dam and

61% have visited, or plan to visit, the Grand Canyon.

Looking at the report which focuses on segmenting visitors into subgroups of whether or not they lodged downtown or on the Strip, we see that a significant amount of visitors lodged on or just off the strip (76%). Only 6% of visitors to Las Vegas lodged downtown, and the rest (18%) lodged elsewhere or were only on a day trip. Visitors who lodged downtown were significantly more likely to cite gambling as the main purpose of their visit (23% vs. 7% of visitors who lodged at the strip). Strip corridor lodgers also spent significantly less time gaming than downtown lodgers (3.3 hrs per day vs. 4.0 hrs per day), and had a much smaller gambling budget (\$458.18 vs \$727.15). A higher percentage of lodgers on the strip also visited other nearby places while on vacation (15% vs 8% of downtown lodgers). Of these respondents, lodgers on the strip were much more likely to have visited (or plan to visit) Hoover Dam or the Grand Canyon.

The number of foreign visitors to Las Vegas has been on an upward trend since at least 2007. In 2011, 16% of visitors were foreign. Overall, these visitors were significantly more likely to lodge on the Strip Corridor. The percentage of Asian/Asian American visitors has remained around 3% over the past 5 years, and of these visitors a significant amount lodged downtown (13% vs 3% who stayed on the strip). It is worth noting that this statistic may be skewed by the large amount of visitors from Hawaii who tend to lodge at the California.

Foreign visitors were much more likely to cite vacation/pleasure as the primary purpose of their visit rather than gambling (74% vs 2%). About as many foreign visitors gambled as domestic visitors, although they gambled for fewer hours (1.9 hrs vs 2.9 hrs for domestic

visitors) and had a smaller gambling budget (\$416.02) than the overall average (\$447.63).

Foreign visitors spent significantly more money on shopping, shows, sightseeing, food & drink, and local transportation than domestic visitors. Foreign visitors were much more likely to have visited another nearby place while on vacation (44% vs 13% of all visitors). Among these visitors, the Grand Canyon was the biggest attraction, followed by Hoover Dam.

Casino tourism.

Although Las Vegas is synonymous with gaming, the findings from the previous section indicates that gaming is becoming less of a source of revenue and less of an attraction for visitors. Rather than signifying the downfall of Las Vegas, though, this trend instead exemplifies the dynamic environment that has always been crucial to its success. Las Vegas was built by innovators and entrepreneurs who have consistently been developing and refining strategies to attract visitors (Lovat, 2012). Even as gaming wanes in importance, the Las Vegas brand will continue to thrive.

The wealth that Las Vegas attracted led to the fierce competition among casino operators. In order to attract more patrons, casino operators needed to differentiate themselves from the competition by providing better service and accommodations (Lovat, 2012). This eventually led to inflated expectations of service, and so this is no longer a way to differentiate. The key now is to differentiate by targeting different segments of the market (Roehl, 1996).

Because Casinos can better identify their markets, they can do a better job of altering their image and amenities to attract more customers. Casino's can modify the rules of various games to appeal to high rollers, or they can tailor the types of food and entertainment to attract

specific customers (Roehl, 1996). The California, for example, catered to visitors from Hawaii by offering a laid back atmosphere and serving Hawaiian food (Lovat, 2012). The Venetian and the Bellagio, on the other hand, were the first mega resorts to open to cater to wealthier guests (Lovat, 2012). The Wynn appeals to an older and wealthier crowd and has even gone so far as to align with luxury brands such as Ferrari and Maserati(Lovat, 2012).

Even more important than attracting new customers, casinos must work to keep them loyal. They can do this in a number of ways, the most popular ones being using comps and rewards cards. Although comps have been the traditional way to reward customer behavior, they are now expected and have become a large expenditure. In 2011, casinos spent an average of \$1.2 bn (25.9%) on comps (Lovat, 2012).

The new trend now is to use players club cards which rewards play with discounts and other offers. In return, casinos use these cards to track statistics such as the games you play and the bets you place. They can then use this information to tailor promotions accordingly. Harrah's/Caesars pioneered this approach and used it to gain a competitive advantage over rival operators for many years (Lovat, 2012).

Today, all of the major casino operators use some type of players club. Caesars' Total Rewards players club is still the largest with 70% of visitors holding the card, but MGM's M life is catching up with 67.8% of visitors holding their card (Lovat, 2012). Lagging behind are Wynn's Red card (43.3%) and the Venetian's Grazie (40.3%). As it becomes easier to collect, analyze, and utilize the information gained from these cards, they will become increasingly more crucial for targeted advertising to various market segments. There is no doubt that the casino

operators will continue to find new and more effective ways to use this concept. Wynn properties have integrated room cards with players club cards, and the Total Rewards cards are even being used in partnership with retail outlets (Lovat, 2012).

Whereas much of the previous research on rewards programs have focused on the influence of tangible economic rewards, Melancon, Noble and Noble (2011) looked at how customers reacted to rewards that focused more on fostering relations through social rewards. The results of their study found that the social rewards lead to affective commitment among participants. In other words, it created an emotional bond and led the participant to identify with the organization. This creates relational worth (non-financial value) for the organization because it leads to repeated participation.

The Success of Macau

This section will cover the history of Macau from its beginning as a Portuguese colony to its current status as the gaming capital of the world. We will also examine data on how Macau generates the majority of its revenue and we will discuss a few articles which focus on Chinese visitors to Macau and their motivations for travel. Finally, we will discuss Las Vegas based casinos operating and investing in Asia.

History.

Macau is the only place in China where gambling is legal. It owes this special distinction to its long and interesting history. From its beginning as a portuguese settlement in 1557, gambling was an illegal, though tolerated, practice (Loughlin & Pannell, 2010). Macau was an important trade destination, and the Portuguese were more concerned with shipping goods from

China back home, as well as facilitating trade between China and Japan.

After the First Opium War (1839-1842), China became weakened and the Portuguese began to exert more control over the settlement – the governor stopped paying rent for the territory, declared Macau a free port, closed Chinese custom houses, expelled Chinese officials and taxed Chinese citizens (Loughlin & Pannell, 2010). The Portuguese would eventually be granted sovereignty over the territory in 1887.

Due to financial difficulties associated with losing its monopoly on trade in Asia, gambling was legalized and taxed in 1847. In typical fashion, the early gambling establishments were not respectable or impressive by any means. Beginning in the 1930s, gambling rights were a monopoly that was granted by the government to a syndicate. In return, the government collected taxes and also used the gambling industry to “serve the broader needs of Macau” (Loughlin & Pannell, 2010). Mostly this meant attracting more tourists and improving social conditions.

In 1962, the *Sociedade de Turismo e Diversões de Macau* (Macau Tourist and Amusement Company [STDM]) was awarded the monopoly license, which it would hold until 2002. STDM began making a number of infrastructural improvements, introduced European games, and opened the Casino Lisboa in 1970, which offered high end VIP gaming (Loughlin & Pannell, 2010). These improvements, along with economic reforms and an easing of travel restrictions in 1979, led to even more success and wealth.

Several instances of social unrest caused Portugal to slowly lose control over the territory. They offered to return it to China twice, after riots broke out in 1966 and a revolution in

Portugal in 1974, and China refused both times (Loughlin & Pannell, 2010). Casino related crime and organized crime became problematic until a crackdown in 1999, when the territory was handed back to China and it became a special administrative region (SAR).

The government studied the monopoly model and came to the conclusion that competition would better serve the economy by developing the tourist industry and providing more employment opportunities (Loughlin & Pannell, 2010). Out of twenty-one bidding companies, three were selected in 2002 to receive 20 year contracts - *Sociedade de Jogos de Macau* (a subsidiary of STDM), Galaxy Casino, and Wynn Resorts. This move marked the beginning of a new era in Macau. From 2002 to 2011, the number of Casinos in Macau grew from 11 to 32, with luxurious new Casinos emulating the style of Las Vegas.

Gaming revenue and visitor profile.

The Center for Gaming Research's *Major Gaming Jurisdictions* report depicts the amazing and rapid rise of Macau. After only took 6 years of a competitive casino industry, Macau's gaming revenue surpassed Las Vegas' in 2008. By 2011, gaming revenue from Macau was greater than the combined revenue of Las Vegas, Atlantic City, Missouri, Connecticut (slots), and Pennsylvania. There are relatively few slot machines in Macau, and a breakdown of gaming revenue provided by the Gaming Inspection and Coordination Bureau Macau SAR (DIJC) reveals that an overwhelming proportion of revenue is derived from VIP baccarat play. After this, regular baccarat play is the next biggest source of revenue. It should be noted that even though VIP baccarat play accounts for 70% of gaming revenue, due to the expenses

related to accommodating high rollers, VIP baccarat contributes to less than 30% of profits (Kale & Spence, 2009).

The majority of visitors to Macau are from Mainland China, followed by Hong Kong and then Taiwan. Data from Government of Macau SAR Statistics and Census Service confirms that mainland Chinese spend significantly more (per-capita) than other visitors, and this holds true for both shopping and non-shopping expenditures (excluding gaming expenditures). Also, many of the mainland Chinese, Hong Kong Chinese, and Taiwanese visitors only stayed for short periods of time.

Motivations to visit Macau.

Gambling has long been a part of Chinese culture as a popular social activity that often occurs during gatherings such as festivals, birthdays, and wedding celebrations (Loo, Raylu, & Oei, 2008). Although Macau is the only place in China where gambling is legal, many studies have found that gambling was the weakest motivator for travel (Lam & Vong 2009; Zeng, Prentice & King 2012; Wong & Rosenbaum 2012). Instead, visitors flock to Macau to enjoy sightseeing, cuisine, culture and heritage, to visit friends and relatives, for shopping opportunities.

Looking at the habits of Mainland Chinese visitors, they tended to be more interested in gambling and shopping than Hong Kong visitors (Lam & Vong, 2009). This may be because Hong Kong residents have had more opportunities for shopping and gaming than the mainland Chinese. In a study of these two markets it was found that only 27.6% of Hong Kong visitors

surveyed gambled while 47.2% of mainland Chinese participated in gambling (Zeng et. al, 2012). Among the mainland chinese who had gambled, only 9% reported that gambling was their primary purpose to visit. Among both gambling and non-gambling mainland chinese, most of them cited vacation and leisure as the primary purpose followed by shopping.

In regards to Chinese gaming habits, the Chinese have a preference for table games. This is clearly reflected by the fact that the ratio of table games to slot machines in Macau is much higher than in Las Vegas. In particular, the Chinese seem to enjoy baccarat above all other table games. Lam (2007), theorizes that this is due to the social aspect of them game, which involves a lot of interaction between the dealer and other players, as well as a perceived sense (illusion) of control over the game.

Las Vegas invests in the east.

Since Macau opened up its gaming industry to foreign owned companies, investors have been clamoring to get a piece of the action. As of 2011, the Venetian operates 3 casinos in Macau, and Wynn and MGM each operate 1 casino (DICJ). It is not difficult to see why investment is flowing into Macau, but there is more to this story than just the high revenue that gaming in Macau generates.

By studying the asset turnover rates of various gaming destinations, Gu & Gao (2006) found that Macau has a very high turnover rate. In 2004, every dollar invested into the casino industry yielded \$2.78. This suggests a short payback period (time required to recoup initial investment), which implies a quick return and lower risk. Interestingly, though the profit margin was higher than in Las Vegas, it is low compared to the revenue that it generates. This may be

due to a few reasons. As mentioned previously, although VIP baccarat is a large source of revenue, it is an expensive market to cater to which lowers profits (Kale & Spence, 2009). Also, there is a very high government levy on gaming revenue in Macau.

Although Las Vegas and Atlantic City have low government tax on gaming revenue, they also have low profit margins, return on assets, and return on equity. This suggests that the market is saturated (Gu & Gao, 2006). Thus, it makes sense for Las Vegas to invest in the east, where, despite the high tax on gaming revenue and the uncertainty of operating in a foreign country, it is easier to make large profits. Las Vegas casino executives fully understand this and Steve Wynn has even gone so far as to say “We’re really a Chinese company now, rather than an American company” (Meredith & Hu, 2011).

However, western casinos must be cautious not to take an ethnocentric approach and must still make an effort to understand and cater to the Chinese market (Kale & Spence, 2009). Although at the moment the growth in Macau is so high that “there is plenty of revenue to be had harvesting customers, not cultivating them” (Kale & Spence, 2009), this market may one day become saturated as well. Thus, it is very necessary for casinos to study the Chinese travelers to Macau and further refine their services to appeal to them.

Conclusion

The rising economic might of China will lead to a larger middle class with an increased desire to travel. The Chinese outbound tourism market is growing at a remarkable pace, and Chinese will continue to visit America in increasing numbers. Successfully appealing to this market may lead to great financial profits. In order to do this, however, a thorough understanding

of Chinese cultural values and travel motives is necessary.

The Las Vegas we know today has been developed by entrepreneurs and innovators who have consistently been refining their business strategies in order to attract and retain customers. Casino operators have become masters at identifying key market segments and altering their products to suite their tastes. Whether it is through providing world class service and entertainment or through aligning with various brands, Las Vegas is likely to always be at the forefront of leisure and luxury.

Having emulated the success of Las Vegas, Macau is currently attracting large numbers of Chinese tourists and is now the world leader in gaming. However, many studies indicate that gambling is a not the primary motivation for most of those who visit the “Las Vegas of the East”. Instead, tourists seek to relax, have some leisure time, and shop. Macau is benefitting from the rapidly growing Chinese middle class, as well as its proximity to mainland China, and Las Vegas based casino operators are keen to get in on the action.

PART THREE

Introduction

This part of this paper will use the insights gained from the literature review to examine how the Las Vegas casino industry can appeal to Chinese visitors and profit from the increase in Chinese outbound tourism. In the results section we will synthesize our analysis and offer some suggestions as to how Las Vegas can attract this developing market. The conclusion section will then explain the significance of our findings, lay out a case for why the Las Vegas casino industry should adopt some of the suggestions proposed, and offer some final thoughts on the subject. Finally, the recommendations section will offer suggestions for future areas of research.

Results

In reviewing the statistics and literature regarding Chinese outbound travel, it is easy to see that the purchasing power of the average Chinese citizen will continue to rise and that they will be a desirable market to cater to in the near future. In terms of gaming, Las Vegas would have a difficult time trying to woo away Chinese gamblers from Macau. It is just too convenient for the growing Chinese middle class to visit the “Las Vegas of the East” for a quick gambling vacation.

Luckily for Las Vegas, though, they don't need to compete in terms of gaming alone. Because most Chinese visitors to Macau do not cite gambling as the main purpose of their visit, Las Vegas can still try to attract Chinese visitors through leisure activities and shopping opportunities. This section will detail a few strategies which casino operators can use to target Chinese visitors. Specifically, by altering their marketing techniques, customer service, gaming

options, and rewards programs, casinos will have a better chance at attracting Chinese outbound tourists.

Marketing and advertising.

In regards to marketing, Las Vegas has three things working in its favor: its powerful brand image, the collectivist tendencies of Chinese culture, and the emphasis that Chinese culture puts on “face”. Although it may no longer be the world leader in gaming, Las Vegas still has a strong reputation as a destination for luxury vacations. To the Chinese, visiting a far away and world renowned destination like Las Vegas is way to display their worldliness and enhance their “face”. And because of their strong collectivist culture, if Las Vegas is seen as a desirable, must-visit location, then there will be a strong social pressure for the Chinese to travel there.

Because gaming is not the primary reason that Chinese visit Macau (or even why tourists visit Las Vegas) Casinos should not emphasize this aspect of their business. Instead, the focus should be on marketing themselves as a world class leisure destination with excellent service, a one-of-a-kind atmosphere, and great opportunities for shopping. Additionally, the surrounding natural landscape can also be advertised (the Grand Canyon, Hoover Dam, etc), and it may even be beneficial to offer packaged tours to these locations.

Even though gaming may not be the primary motivation for travel, because it is a part of the culture, it is likely that Chinese visitors will engage in it anyway. Because Chinese culture places great importance on harmony, advertisements regarding gaming should not be depicted as competitive. Instead, gaming should be advertised as a fun, leisure activity that the whole family can participate in (children excluded, of course). Furthermore, because Chinese prefer table

games, depicting slot machines, which are iconic of Las Vegas, in advertisements may not be effective when targeting Chinese.

The Chinese respect for authority makes promotions by public figures such as actors, musicians, and models particularly effective. Furthermore, as previously mentioned in the literature review, female Chinese are more susceptible to advertising than males. Casinos can take advantage of this by tailoring their marketing to females, perhaps by emphasizing the many opportunities that Las Vegas has to offer in regards to shopping for cosmetics and fashion.

Customer service.

As we have learned from the literature review, the fierce competition in Las Vegas has led to incredibly high expectations of customer service. Although it is difficult for a casino to differentiate itself on customer service alone, there are definite consequences to offering a sub-par customer service experience. Coming from a different culture, Chinese travelers may not be satisfied in the same way that a western traveler might be. Because of this, it is important to understand Chinese culture to avoid accidentally providing poor service. For example, whereas western visitors may wish to avoid the number thirteen, Chinese believe that the number four is bad luck because in their language it sounds similar to the word for death.

Hiring casino staff who are able to speak Mandarin and Cantonese, as well as providing signs in these languages, is also another way to make Chinese visitors feel more comfortable. Furthermore, there are a few other simple amenities that can be provided which will make a large difference. For example, providing slippers for hotel guests and familiar food such as noodles and tea.

Gaming options.

As mentioned previously, it is unlikely that gaming will be the biggest draw to bring Chinese visitors to Las Vegas. However, due to the importance of gaming in Chinese culture, it is likely that Chinese visitors will engage in it anyway. Casinos should be aware that the Chinese prefer table games, specifically baccarat, and should increase the number of baccarat tables accordingly. Dealers should also be aware of the high value that Chinese gamers place on social interactions, and should make the experience more rewarding by fostering interactions between players.

Rewards programs.

Another tactic that casinos can use to appeal to Chinese visitors is to alter their players club cards to appeal to the collectivistic aspect of Chinese culture. For example, if families could share a players card which accumulated points at a higher rate depending on how many people were playing simultaneously, then this might be a better incentive to participate in gaming. Because Chinese tend to work harder in groups (Hong et al., 2008), this may also inspire them to game more. Additionally, because this type of rewards program results in both financial and social rewards (due to the players being able to enjoy the time with their families), it will foster more loyalty to the casino. Not only will the participants feel more involved with the casino, and thus increase the probability that they will be a repeat visitor, but they may also put in a good word for the casino with their friends, which will foster more brand loyalty.

Casinos can use the Chinese fondness for luxury brands to their advantage by tethering their players cards with shopping promotions. This type of cross-branding will help with

advertising as well as be another incentive to game. For this to be most effective, it should be convenient for players to redeem the rewards gained from using the players club cards. In other words, players should have the ability to use any discount offers at stores which can also be found in China, Macau, or elsewhere in Asia.

Conclusions

For the average middle class Chinese citizen, a trip to Vegas may still currently be too expensive. However, as the wealth of China increases, this barrier to travel will decrease. The goal for Las Vegas, then, should be to begin marketing the Las Vegas brand to the new face of China – the upcoming middle class. We have made some suggestions as to what the gaming industry can do to attract Chinese visitors, though casinos will still need to decide for themselves whether the benefits of pursuing this market will outweigh the costs.

Las Vegas based casinos which have made strides in Macau are in the prime position to begin advertising to middle class Chinese. If they can create a sense of brand loyalty in the Chinese customers who visit their casinos in Macau, then this might develop into a desire to one day travel to Las Vegas. Furthermore, it is already in the interest of these Casino's to study this market, as they are currently catering to them in Macau. Thus, the Venetian, the Wynn, and MGM will be in the best position to adapt strategies to target Chinese visitors to Las Vegas. As for the casinos that do not have a foothold in Asia, they would still do well to further study this phenomenon to get a better grasp of the potential profitability of targeting the outbound Chinese tourist market. If Chinese travelers do indeed end up visiting Las Vegas in increasing numbers, then casinos that fail to appeal to them will find themselves at a huge disadvantage. In a market

that is as saturated as the casino industry is in Las Vegas, any chance to gain larger profits must be seized upon.

Although this paper makes the case for attracting Chinese visitors to Macau, we must still keep in mind that Macau is currently the undisputed capital of gaming. Due to its close proximity to the growing Chinese middle class, Macau is likely to remain a popular travel destination. As such, Macau should not be seen as a competitor, but rather as a business partner. Las Vegas casino operators should continue to invest in Macau and other gaming destinations that rise to prominence in Asia. To neglect to do so would be to pass up a great opportunity. The middle class in China is growing and they are going to want to travel. Even if they don't make it across the Pacific Ocean, Las Vegas casinos can still attempt to profit from their increased purchasing power.

Recommendations

This paper is only a preliminary look into the problem of trying to attract the growing number of Chinese outbound travelers, and there is still much work that needs to be done in order to understand this phenomenon. Further research should be conducted to differentiate between the cultural values and travel motives of mainland Chinese, Hong Kong Chinese, and visitors from Taiwan. Because of the differences in their histories, the recommendations that we suggest which are mostly tailored to mainland Chinese may not have the desired effects on other types of Chinese visitors.

In order to make more pertinent suggestions and recommendations, more data needs to be collected on Chinese visitor habits in Las Vegas. The use of players club cards will be an easy

way for Casinos to gather this information. Although analyzing and synthesizing this information may be a difficult task, the insights gained from this process will be invaluable in helping casinos to tailor their advertising and promotions in the most effective way possible.

REFERENCES

- Dioko, D., & So, A. (2012). Branding destinations versus branding hotels in a gaming destination - Examining the nature and significance of co-branding effects in the case study of Macau. *International Journal of Hospitality Management*, 31, 554-563.
- Gaming Inspection and Coordination Bureau Macao SAR (2012, July). *Macao gaming history*. Retrieved from: <http://www.dicj.gov.mo/web/en/history/index.html>
- Gaming Inspection and Coordination Bureau Macao SAR. *Gaming statistics*. Retrieved from: <http://www.dicj.gov.mo/web/en/information/index.html>
- Government of Macao Special Administrative Region Statistics and Census Service (2011). *Statistics*. Retrieved from: <http://www.dsec.gov.mo/Statistic.aspx?NodeGuid=7b23463a-d253-4750-bd12-958030df5ccb>
- Gu, Z. & Gao, J. (2006). Financial competitiveness of Macau in comparison with other gaming destinations. *UNLV Gaming Research & Review Journal*, 10:2, 1-12.
- Hong, Y., Wyer, R., & Fong, C. (2008). Chinese working in groups: effort dispensability versus normative influence. *Asian Journal of Social Psychology*, 11, 187-195.
- How to get a date. (2011, December 31). *The Economist*. Retrieved from <http://www.economist.com/node/21542155>.
- Hua, Y. & Yoo, J. (2011). Travel motivations of mainland travelers to the United States. *Journal of China Tourism Research*, 7, 355-376.
- Kale, S. & Spence, M. (2009). Casino customers in Asia versus western gaming jurisdictions. implications for western casino operators. *Worldwide Hospitality and Tourism Themes*,

- 1:4, 320-331.
- Lam, C. & Vong, L. (2009). Macau: The gambling paradise – Profiling the roles and motives of customers. *Journal of China Tourism Research*, 5:4, 388-400.
- Lam, D. (2007). An observation study of Chinese baccarat players. *UNLV Gaming Research & Review Journal*, 11:2, 63-73.
- Las Vegas visitors conventions and visitors authority. (2012). *2011 Las Vegas Visitor Profile Study*. Retrieved from: <http://www.lvcva.com/stats-and-facts/visitor-statistics/>
- Las Vegas visitors conventions and visitors authority. (2012). *2011 Las Vegas Visitor Profile Study – Downtown/Strip Corridor Version*. Retrieved from: <http://www.lvcva.com/stats-and-facts/visitor-statistics/>
- Las Vegas visitors conventions and visitors authority. (2012). *2011 Las Vegas Visitor Profile Study – Southern California and International Visitors Version*. Retrieved from: <http://www.lvcva.com/stats-and-facts/visitor-statistics/>
- Loo, J., Raylu, N., Oei, T. (2008). Gambling among the Chinese: A comprehensive review. *Clinical Psychology Review*, 28, 1152-1166.
- Loughlin, P. & Pannell, C. (2010). Gambling in Macau: A brief history and glance at today's modern casinos. *FOCUS on Geography*, 53:1, 1-9.
- Lovat, O. (2012). Pyramids to player clubs: The battle for competitive advantage in Las Vegas. UNLV Center for Gaming Research Occasional Paper Series, Number 19.
- Lu, Zhen (2011). The study of Chinese tourists' motivations to Canada. *Journal of China Tourism Research*, 7, 345-354.

Melancon, J., Noble, S., & Noble, C. (2010). Managing rewards to enhance relational worth.

Journal of the Academy of Marketing Science, 39: 341-362.

Mok, C. & Defranco, A. (2000). Chinese cultural values: Their implication for travel and tourism marketing. *Journal of Travel & Tourism Marketing*, 8:2, 99-114.

National Bureau of Statistics of China. (2011, February 28). *Statistical Communiqué of the People's Republic of China on the 2010 National Economic and Social Development*.

Retrieved from:

http://www.stats.gov.cn/english/newsandcomingevents/t20110228_402705764.htm

Office of Travel and Tourism Industries. (2012, July 16). *2011 outbound analysis*.

Retrieved from: <http://tinet.ita.doc.gov/outreachpages/outbound>

[general_information.outbound_overview.html](http://tinet.ita.doc.gov/outreachpages/outbound/general_information.outbound_overview.html)

Office of Travel and Tourism Industries (2012, November 30). *Forecast of international*

travelers to the United States by top origin countries. Retrieved from:

<http://tinet.ita.doc.gov/view/f-2000-99-001/index.html>

Roehl, W. (1996). Competition, casino spending, and use of casino amenities. *Journal of Travel*

Research, 34: 57

Sparks, B. & Wen Pan, G. (2009). Chinese outbound tourists: understanding their attitudes, constraints, and information sources. *Tourism Management*, 30, 483-494.

Steve Wynn says new Macau casino to open in four years, double revenue (2011, May 15).

Bloomberg.com. Retrieved from: <http://www.bloomberg.com/news/2011-05-15/wynn->

says-new-Macau-casino-to-open-in-four-years-double-revenue.html.

Templer, K. (2012). Five-factor model of personality and job satisfaction: The importance of agreeableness in a tight and collectivistic Asian Society. *Applied Psychology*, 61:1, 114-129.

UNLV Center for Gaming Research (2012). *Las Vegas strip table mix*. Retrieved from: <http://gaming.unlv.edu/reports.html>

UNLV Center for Gaming Research (2012). *Major gaming jurisdiction: Eleven-year comparison*. Retrieved from: <http://gaming.unlv.edu/reports.html>

UNLV Center for Gaming Research (2012). *Nevada casinos: Departmental revenues, 1984-2011*. Retrieved from: <http://gaming.unlv.edu/reports.html>

UNLV Center for Gaming Research (2012). *Nevada gaming revenue: Long term trends*. Retrieved from: <http://gaming.unlv.edu/reports.html>

Wong, I. & Rosenbaum, M. (2012). Beyond hardcore gambling: Understanding why mainland Chinese visit casinos in Macau. *Journal of Hospitality and Tourism Research*, 36:1, 32-51.

World Travel and Tourism Council. (2006). *China, China Hong Kong SAR, and China Macau SAR*. Retrieved from: www.wttc.org/site_media/uploads/downloads/chksar2003cn.pdf.

Zeng, Z., Prentice, C., & King, B. (2012). To gamble or not? Perceptions of Macau among mainland Chinese and Hong Kong visitors. *International Journal of Tourism Research*, published online. doi: 10.1002/jtr.1902