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Jiaqi Wu

University of Nevada, Las Vegas

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Examining the high-end gaming segment: Toward a shift in market focus

By

Jiaqi Wu

Bachelor of Science in Information Management
Shanghai Maritime University
2010

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

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PART ONE

Introduction

The Las Vegas gaming and hospitality industry has seen many changes over the last two decades. For the longest time, casinos were illegal everywhere except in Nevada, and gambling was viewed as a vice. It was not until the 1970s when attitudes started to shift. The Nevada Gaming Control Board was established to oversee and govern many aspects of the business, in order to promote the industry and reduce the perceived negative social impacts. LVCVA (Las Vegas Convention and Visitors Authority) also strategically promotes the city as the ideal tourist destination. Las Vegas has now become a highly competitive tourist destination.

Due to the increased competition, casinos operators need to constantly optimize their operations in order to stay ahead. It is imperative for them to find the best talent for their show stages, design and build bigger and better amenities for guests, and come up with innovative gaming products and services. At the same time, these casino operators also need to ask themselves how to focus their marketing efforts. Casinos generally segment their business into several distinct groups. Guests can be gaming or non-gaming. Gaming guests can be slot players, table games players, or poker players. They can be local, domestic, or international. They can be further separated into mass or high-end guests. Each segment is different in terms of the amount and type of business they bring as well as the marketing efforts required.

High-end gaming has long been a focus of casinos. Historically, it has been a large source of bottom-line profit. Indeed, whales and premium players may represent only a small fraction of gamblers while accounting for a large share, if not a majority, of gross gaming revenues. As long as casinos can narrow their focus and attend to these key players, they can expect to make profit from them. The problem is that like most customers, high-end players also know how to shop

around for the best deals. Given the highly competitive market in Las Vegas, casinos will undercut one another to attract these players. In the end, maybe it is the player who ends up with the edge.

Purpose

The purpose of this paper is to use a case study and two interviews to investigate if casinos should focus on the high-end gaming segment, using Las Vegas as an example. Specifically, we will analyze the causes behind the decline in high-end gaming.

Statement of Problem or Statement of Objective

Las Vegas has experienced a decline in its high-end gaming business and this must have affected the way some casinos are approaching this segment. Most of this decline has come from a decrease in baccarat volume and revenues over the last few years. The high-end gaming segment is no longer the cash cow that the casinos of Las Vegas have known it to be. Rather, high-end revenues have been on the decline and many casino operators have begun downsizing their marketing teams. It is important for casinos to understand whether this change is here to stay and how they should best conduct business in the changing environment.

This paper will dig deeper into the reasons behind this decline. The first section will be more exploratory and descriptive in nature. Much literature exists to guide the research. The second section is to evaluate the effects of those factors on the high-end gaming segment. A case study should uncover many truths as well as an understanding of possible directions for the future focus of gaming markets.

Justification

The gaming industry has developed into a sizeable part of the country's entertainment and tourism economy. Since the legal climate in America for casinos began to change in the

1970s, more and more states have found themselves building up the casino industry (Eadington, 1999). People all over, domestically and internationally, make gambling and casino resorts part of the regular vacation rotation. Many become regular gaming customers. In Las Vegas, especially, the industry is of paramount importance as the city has yet to really diversify its economy. That is why it is important to see the industry succeed as people here depend on the industry for jobs and the Nevada state depends on it for tax revenue. High-end gaming plays a role in gaming's success but so does mass gaming. It is up to the casinos to recognize the opportunities that lay ahead.

Constraints

This research will not be able to drill into all the specifics behind casino operations to help answer all our questions. Even the casino where we conduct our case study will only provide so much information. For this reason, the results and recommendations of this paper are meant to only provide guidelines as to understanding the factors affecting the business and how casinos can best react.

It is also important to keep in mind that the many factors we uncover in the course of the research are things affecting the industry in the past and may not be encountered again in the near future. Needless to say, they will also never occur ever again in the same context as the environment and the people are always changing. Every situation is unique. Still, we can generalize and learn from these examples and estimate the possible effects of similar future events on the industry and player segments.

Finally, the scope of the research can be quite large. Slots and other table games also have high-end players, but the statistics provided do not break up the gaming revenues by such market segments, so it is hard to see whether their more stable revenues are driven by all

segments or sustained by growth in the mass market. While the Gaming Control Board reports break up the gaming revenues by game type, blackjack, roulette, and other table games can still include both mass and high-end players. For slots, the problem is that most games are listed as “Multi-Denomination” so that higher dollars denomination play cannot be separated out cleanly. We need to rely on some other research to understand more about these market segments. For these reasons, we start by focusing on high-end baccarat players, and specifically those in Las Vegas. That does not mean we do not examine those external factors affecting these players though, such as events in China where many of these players come from.

PART TWO

Introduction

The literature review in this section will discuss previous findings on several relevant factors that drive business in the Las Vegas casino industry with a focus on the high-end gaming segment. We begin with a review of the context in which companies conduct gaming business. This will allow us to understand how the gaming business ended up where it was at and how it was able to work out in the past but not necessarily today. Then, we review the impactful recent events and trends that have affected the market. This is a major force of the paper as the findings here will allow us to form propositions as to how the future of the industry might look like.

The literature review in this part will focus on three main aspects. First, we try to understand how the Chinese economy and gambling market affects business. In particular, we review the impact of the recent Chinese government and economic reform. Next, we look at developments in domestic anti-money laundering policies and what that means for the gaming industry. Finally and just as importantly, we review the evolving market dynamic. The review ~~as~~ basically follows the framework of Porter's five forces analysis. The main focus is on the increasing competition in the Las Vegas gaming industry and how that is giving customers more leverage. As a result, the literature will propose that certain business segments can become less profitable, even unprofitable.

The literature review will also go over studies employing various research methodologies that can provide us with a guideline as to how to best conduct our case study. Specifically, Eisenhardt (1989) provides a thorough and focused academic review of the case study framework and how to go about getting the most out of a case study. Traditionally, theory was developed by combining observations from previous literature, common sense, and experience.

The tie to actual data has often been tenuous (Perrow, 1986; Pieffer, 1982). However, a more recent review of the case study process, especially when the process includes a better specification of the research question and hypothesis testing, shows that it can be highly iterative and link data to conclusions (Eisenhardt, 1989). To further support our analysis, we also review other literature that both covers the topic more directly while providing examples of good case study research.

Literature of various sources will be reviewed to get the most complete assessment of the ideas and conclusions currently out there. It is important to look at not only academic peer-reviewed research articles but also non-scholarly literature. Granted the latter may not be the most scientific or thoroughly edited and evaluated, this type of literature, such as news articles and industry reports, can be more current than journal articles and can also bring new perspectives that academic researchers have not considered.

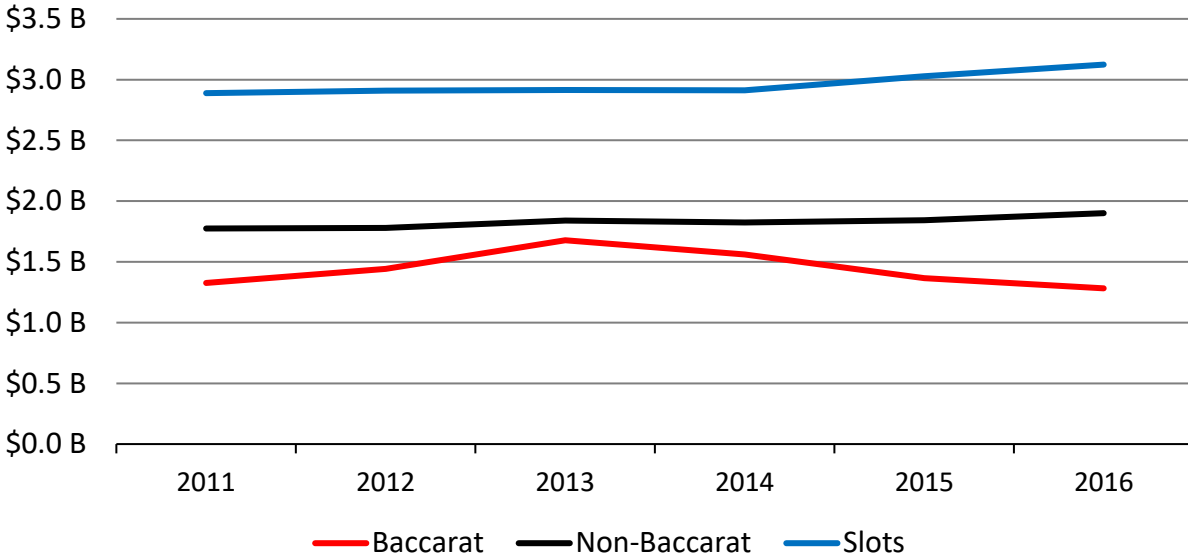
Gaming Industry Background

Over the last century, the Las Vegas gaming and hospitality industry has seen many changes. In the 1960s, no states but Nevada allowed casinos (Schaap, 2010). It was not until the 1970s when attitudes started to shift and the casino business began to gain some legitimacy (Eadington, 1999). Indeed, as the industry matured, Las Vegas actually became a paradigm of well-run gaming and hospitality. As a result, Las Vegas has become a highly competitive casino market.

Today, Las Vegas featured dozens of gaming establishments, all of various themes and catering to different segments of the gaming demographic. Games include slot machines, video poker, table poker, blackjack, craps, roulette, numerous carnival games, Keno, and many others (Eadington, 1999). Most notable in recent years is the rise of the baccarat market. Statistics from

the Nevada Gaming Control Board show that baccarat, which is just one game, make up about a quarter of the market's gaming revenues. But there is a reason for this. Baccarat has become one of the favorites of high rollers (Pulley, 1998). And casinos wanting to attract these high rollers need to provide top quality amenities and services to keep this business.

It is reported that, while the revenue of casino games has remained more or less the same, baccarat revenue has decreased every year starting in 2014 (see Figure 1). In its reports, the GCB separates baccarat play into two line items, Baccarat and Mini-Baccarat. Mini-Baccarat is played just like regular baccarat and follows the same rules, except it is generally lower limits and usually features smaller tables. So, if we assume that Baccarat represents high-end play and Mini-Baccarat represents the lower-end play, then the GCB statistics can be interpreted to mean that in 2015, high-end baccarat made up about 95% of total baccarat revenue. This would suggest that high-end baccarat would cause the biggest impact on the overall gaming decline. Indeed, a sharp decrease in baccarat play in 2013 can be noted in Figure 1, which shows revenue as reported by GCB. Baccarat revenue decreased over 12% in 2015 from the prior year and dropped another 9% the next year.



▪ *Figure 1: Gaming revenue by game type by year, Clark County, Las Vegas Strip Area*

Palmeri (2014) reported a large drop in baccarat volumes, saying that it was mainly due to a decline in the Las Vegas high-end segment, severely affected a big number of casinos on the Strip, including the MGM Resorts International, Caesars Entertainment Corp., Las Vegas Sands Corp., and Wynn Resorts Ltd. The article goes on to describe that the Las Vegas Strip saw a 36% decline in baccarat revenue at the time and suggests that the reason behind this is a decline in spending by high-end Chinese players.

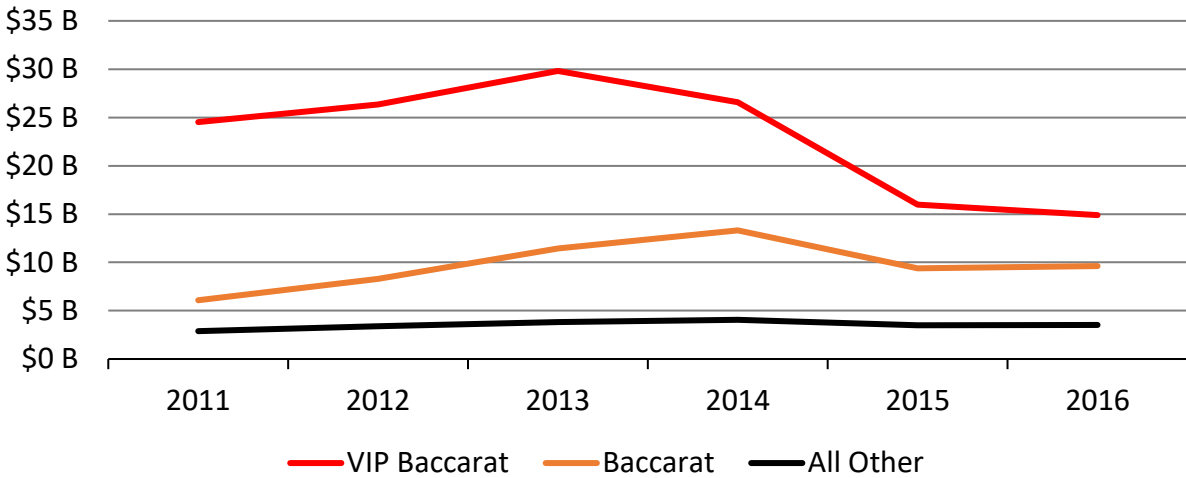
Lopez (2015) stated a few months later described the decline in Las Vegas baccarat volume as a complete nosedive. That June saw a 57% decline in baccarat volume compared to June of the previous year. The reduction in play on just this one game caused a 16% overall decrease in Las Vegas Strip gaming revenue. Stutz (2015) that same month concluded similar findings. It reported that over the first half of 2015, revenue in baccarat was down almost 20% while volume was down more than 43%.

Even today, baccarat continues to not have recovered completely. Its performance is poor even when compared to the first half of 2013. A more recent April 2016 Las Vegas Sun article

notes the poor baccarat performance despite otherwise better conditions for the overall Las Vegas Strip. The article describes baccarat as “once a cash cow” but that is no longer the same game as it was in its heyday as revenues had fallen yet again, this time around 9% over the 2016 fiscal year (Morris, 2016). But as compared to the number of players that make up the baccarat play, that number is really quite small relatively. As Berzon, Kate, and James (2012) reported, a small number of people can largely impact the revenue.

The Chinese Economy and Gambling Market

Baccarat is extremely popular among Asian gamblers, especially Chinese gamblers. Its success depends quite significantly on this source of players (Zeng & Forrest, 2009). It is then quite plausible that one of the most important drivers behind the decline of the high-end market in Las Vegas, given how large the baccarat market is, is the decline in Chinese players. The best way to start then is by looking at Macau, the world’s current largest gambling city, where we can find the most Chinese players. China took back the control right of Macau in 1999. Since then, Macau has experienced a large increase in casino investment with many new properties popping up and the Cotai Strip developed to accommodate even more casinos. Macau had gaming revenues of over US\$7 billion in 2006, the year it finally passed Las Vegas as the destination generated the most gaming revenue. Following that, revenues continued to increase until it peaked in 2013 at over US\$45 billion. After that, revenues fell. As a consequence, we saw the big decline was attributable to the high-end baccarat market. This segment of business accounted for about US\$30 billion of Macau’s gaming revenue in 2013 and fell almost 50% to about US\$16 billion by 2015(Figure 2). Upon careful comparison, the trends in this figure quite resemble those from Figure 1 earlier showing Las Vegas’s recent gaming performance.



▪ *Figure 2: Gaming revenue by game type by year, Macau*

Pei (2014) reported that the China corruption crackdown, now approximately three to four years old, had caught and punished nearly 300,000 officials for corruption in just the previous year alone. The article calls that the Chinese president’s campaign to fight corruption a cornerstone of his government. It isn’t just the average person off the street who cannot defend himself that is being targeted. High-level businessmen and women as well as government party officials have been caught in the crackdown too. Macau as turns out was a very convenient place for corrupt officials to launder money by gambling and maybe even make some money too (Bailey, 2016).

The effect of the crackdown on the Macau gaming market probably was not entirely unexpected. Barboza (2007) reported that some of Macau’s highest rollers had already been caught illegally gambling government or state-owned company money. Indeed, as early as in 2005, over 8,700 members of Chinese government had been punished for gambling alone.

Bailey (2016) cited a U.S. telegraph published on Wikileaks, which notes that getting money into Macau through illegal channels was actually quite easy. It goes on to emphasize just how much, saying that gamblers from mainland China account were “betting literally billions of

dollars” no doubt making the high-roller gaming market an extremely rich one. The Economist (2015) also mentions that the crackdown has spread anxiety to businesses and officials from making further business deals, afraid that they would be labeled as corrupt. Because of this, many Chinese people have shied away from Macau’s casinos, even the legitimate people (Bailey, 2016). Either these people simply chose to cut back on luxuries so that they do not draw attention or they do not want to risk getting caught doing illegal money transfers.

This concerns Las Vegas quite a bit, because the anti-corruption initiatives in China have a spillover effect. The new Chinese government policies have reduced the number of visitors to Las Vegas from China, which in turn resulted in reduced spend. Many news articles draw this conclusion as they try to explain the decrease in local baccarat revenues and volume (Lopez, 2015; Morris, 2016). Of course, more directly a result of the crackdown is the loss of those big guests who gambled with possibly illegal money in Las Vegas. This city is a great alternative to Macau, but the crackdown has made it difficult for many to make their trips even here.

Many gamblers from China rely on junket tour operators to help facilitate the transfer of Chinese funds into Las Vegas. These junkets, which have long been suspected by U.S. law enforcement of organized crime and money laundering, work under the guise of legitimate tour business but have in fact helped players from China go around the Chinese rule that limits their withdrawals from the country to no more than \$50,000 per year (Berzon et al., 2012).

The number of players that drive high-end baccarat revenue to Las Vegas is small. They are really a select group, and it only takes a few big guests not playing to cause these revenues to fall severely (Palmeri, 2014). As Chinese players see their sources of money becoming more inaccessible, they reduce their trip frequencies, and as a consequence, we see the effect on the Las Vegas gambling market.

Domestic Anti-Money Laundering Developments

The recent Chinese developments have also helped fuel the renewed anti-money laundering efforts in the U.S. and more specifically, the casino industry. The VegasInc described this white paper by the AGA as “unprecedented” and the “first of its kind” (Morris, 2014). U.S. law enforcement officials recognize that money laundering issues exist, especially where junkets tour operators are involved and also because some U.S. casinos are able to leverage existing accounts in Macau.

One of the most famous case we knew about is that in 2013, The Las Vegas Sands Corp., which operates the Venetian-Palazzo hotel complex in Las Vegas, has agreed to return \$47,400,300 to United States. The United States Attorney’s Office concluded a criminal investigation into the casino’s failure to alert authorities that a high risk gambler, who was later linked to international drug trafficking, made numerous large and suspicious deposits with the casinos. Another example is that Caesars Entertainment Corp. paid fines totaling \$9.5 million for violating federal money laundering rules at Caesars Palace. (Stutz, 2015) Everyone is getting better informed and smarter, and these combined efforts will make it more difficult for some guests, such as those from China, to gamble in Las Vegas, further driving down revenues. Word that the U.S. Treasury Department was requiring the casino industry to report the source of gambling funds used by their high-end players, was not so much a rumble as it was a magnitude 7.0 earthquake (Stutz, 2014).

Industry Profitability Analysis

Profitability is composed of two words: profit and ability. It is the ability to earn profit from all the activities of an enterprise. Changes in capital stock, size, market share, and growth rate of the firm also contribute to profitability.

Porter (1980) explains in more detail how profitability in an industry is affected by a few different forces. He mentions five things: substitutes, rivalry, buyers, suppliers and new entrants. Porter's five forces include three forces from competition: the threat of rivals, the threat of substitute products and the threat of new entrants; and two forces from competition: the bargaining power of suppliers and the bargaining power of customers. Porter developed his five forces analysis in reaction to the then-popular SWOT analysis. It has been applied to a diverse range of problems, from helping businesses become more profitable to helping governments stabilize industries.

Some good examples of how an industry was evaluated following the Porter framework. Cheng (2013) used Porter's model to discuss the strengths and weaknesses of the hotel industry on a global basis and to study the viability of a hotel project. The competitive forces helped to determine the opportunity and potential profitability in a hotel project. The two important factors that enable hotels to differentiate themselves are good location for relative target market and quality of service. Miller, Henthorne, and George (2008) discussed all five forces in detail and identified that Cuban government policy was the most impactful to the tourism industry's ability to maintain a profit and booming business.

Similarly, Porter's template can be used as a guideline to evaluate the Las Vegas gaming industry and learn how these forces affect the profitability of the different gaming segments. We start by looking at the source of revenue and then see how casinos can compete with one another to do business. We evaluate the literature and find that the high-end gaming segment especially can be a tricky one to manage.

Casinos greatly covet the wealthiest of the world's premium players, also known as whales. They buy in for and lose many times more money on table games than average gamblers,

which can make them a casino's biggest source of profit. With a possible bankroll that starts with at least \$1 million, a premium player's average bet is usually in the tens or even hundreds of thousands, while people on the mass floor are sitting at a \$10 blackjack table betting not much more than the table minimum. Without a doubt, whales can easily surpass \$1 million in win/loss. But because the casino always has a house edge, a whale's high-end play can easily mean big revenues (Lucas, Kilby, & Santos, 2002).

Casinos make it their most critical business to attract premium play. It is actually quite difficult as they have to compete aggressively with one another to bring these top players to their properties to gamble. Nevada has matured much more than many other gaming markets with its early legalization of gambling and an experienced gaming control institution (Eadington, 1999). The GCB helps reduce negative social and economic impacts and help govern the many aspects of the business. As a result, a very fair playing field for operating casinos is developed, and no doubt, the gaming industry in Las Vegas has become the most competitive in the world (Eadington, 1999). Furthermore, competitive pressure comes from outside as well as Asian and Australian and other casinos have also started to very actively chase the world's lucrative gaming markets (Pulley, 1998).

But how does the competition make it difficult? Casinos in Las Vegas have to invest in all manners to attract high-end players and bring in high-end revenue. An article on the New York Times has described some of these methods of attracting wealthy gamblers. One of the easiest ideas is by providing luxury services. The Mirage Resorts, for example, spent an estimated \$150 million on art to attract its high-end guests. The Las Vegas Hilton spent \$44 million to build three luxury suites. Even as early as 1998, the Caesars Palace was spending \$13 million on two similar type suites for its biggest gamblers. The MGM Grand's \$700 million

investment in a set of thirty private villas called the Mansion easily tops all of these player expenses (Pulley, 1998). Also, in 2012, the Las Vegas Sands upgraded just one gaming area, costing about \$25 million with the sole purpose of accommodating the inflow of high-end Chinese play (Berzon et al., 2012).

In addition to fixed investments, casinos are also offering complimentary products and services or comps for short. Comps provide free food, free rooms, and free show tickets, among other things for its guests. According to Marfels (2010), casinos provide comps in order to differentiate itself from the competition and convince guests to come to the property to play. It is that now the only real differentiation with comps comes from the amount offered. Can a casino offer more than its competitor? According to Marfels's analysis on data about gross gaming revenues and comps for New Jersey's Atlantic City gaming market, he found that comps per dollar of gaming revenue have gone up from around 11% back in 1980 to 36% in 2009. Lucas et al. (2002) also concluded that the Las Vegas gaming market has also seen something similar. They estimated that most of the Las Vegas casinos set comps at around 35% and up to even 50% of a player's theoretical loss. This means for every dollar a gambler is expected to lose, half of it might be given back. Nonetheless, casino operators are still warned that it is not a good idea to be greedy and hold back on their guests, because in such a competitive environment, the loyalty of players can be easily taken away by competitors and can be tough to regain (Marfels, 2010).

Casinos have heeded this philosophy very seriously indeed. Today, in addition to traditional rooms, food, and beverage (RFB) comps, casinos also offer play incentives such as promo chips, allowances, and discounts so as to compete for premium players (Lucas et al., 2002). Promo chips like regular chips and are valued the same. The only thing is that they are non-negotiable at the cage and only has value at the casino table. Players can only wager these

chips on the table, but the important thing is that all winnings from playing promo chips are paid with regular casino chips that can be redeemed for cash. On a low-house edge, even-money game, players can essentially trade these promo chips for free money. Players also consider allowances or airfare reimbursements, which is supposedly meant to help the player pay for their airline ticket costs, but they end up being more like entitlements.

Last but not least, discount also plays a big role in players' gambling. With discounts, casinos agree to give back some fraction of a player's loss (Lucas et al., 2002). For example, if a player is granted a 20% discount for his trip and then loses \$2 million, he gets back \$400k and his net loss with the casino is actually only \$1.6 million. On the other hand, no discount (or reverse discount for the casino) will be offered if the player wins. The gaming incentive caters to and is very attractive for the high-end gaming segment, because if the discount is large enough, it can actually swing the house edge around. Lucas et al. (2002) found that discount policies can diminish profitability severely and improperly set up ones can even lead to losses for casino when the policy causes a house disadvantage situation.

Researches have shown that casinos do not necessarily make higher profits from high-end players. As shown above, Lucas et al. (2002) demonstrated how casinos may lose out on profits by giving premium players too many financial incentives. Marfels (2010) described how the costs of complimentaries are rising fast. According to Salmon, Lucas, Kilby, and Dalbor (2004), many casino executives may not be fully aware of how discounting and other types of financial incentive can cause losses for the casino. MacDonald (2001) also warned about financial incentives offered to high rollers and described the business as low margin and high risk.

These costs have started to catch some casino operators' attention. Glenn Schaeffer, the former president of the Mandalay Resort Group, reports that the casino industry has become a

“player’s market” (Binkley, 2001). Gary Loveman of Harrah’s Entertainment Corp. has shown the same concerns and says that the rivalry amongst casinos is making them act not too smart. Specifically, he means that casinos are compensating players too much, making too rich offerings of play incentives. Binkley (2001) suggested that this practice of giving to players can even spiral to a point where the casino loses its house advantage. Paul Rubeli, an executive of the Tropicana, says that the casino has the point that it had to close its high-end baccarat pit. It was becoming extremely unprofitable to run this high-end bit and the decision by the Tropicana actually ended up tripling the casino’s cash flow (Binkley, 2001).

But this originally highly coveted high-end demand has faded to some extent more recently. The timing seems to match with the downturn in international baccarat play. To offset this, many casinos are leaning more towards the mass markets. This has become abundantly clear when we look at Macau. Macau is one of the first places where the visitation of high-end players very abruptly stopped. Driving up mass-market play has been a major shift in strategy, while still trying to retain as much of the high-end business as possible (Jalal, 2007). In Las Vegas, there has also been a similar shift in focus. The chief executive officer of Wynn Resorts, Steve Wynn, is conducting an expansion of the Wynn and Encore’s luxury offerings to the lower-tiered high-end player (Pahygiannis, 2016). The new Lucky Dragon Hotel and Casino which opened in December 2016 also has goals of targeting the Chinese mass-market gambling (Meesak, 2016).

Casinos are still continuing to embrace the high-end, but they try to do so profitably. In Macau, the Cotai Strip was built for the average traveler instead of solely for the high-end gamblers. Still, the reality is that it turned out to that high-end table games continued to make the most sense to the point where there is continued expansion of catering to premium play.

Generally speaking, profitable premium play demands the careful attention of operators.

Lucas et al. (2002) noted that the profits from high rollers should at least be in line with the costs of providing the amenities and reinvestments that bring them to the property and definitely not more. They also argued that, in order to keep games running profitably, operators need to set limits on games. They warned that it is dangerous for casinos to blindly continue offering discounts. Instead, casino managers need to fully understand the consequences and maybe use analytical software to evaluate their decisions. Min, Raab, and Tanford (2015) warned that the offers and promotions of those casinos are not always in their favor, neither effective nor profitable. But investments and costs still need to be well balanced through properly designed programs. Finally, Prentice and King (2011) stated that successful relationship building using casino hosts is important to performance and profitability. They should employ strong customer orientation and adaptability with high-end players to attract them rather than just giving them excessive comps. They also highlighted that casino players may take advantage of the opportunities casinos offer them and end up being not profitable.

PART THREE

Introduction

As seen from the literature review of the context of the gaming industry and recent developments affecting the industry, casino operators in Las Vegas face a massive challenge when it comes to maintaining the profitability of the high-end gaming segment. Not only are there external factors that hamper the flow of players and money to Las Vegas casinos, the business itself is highly competitive, which drives costs up. The coveted whale players are fewer in number and have more leverage than ever, playing casinos off one another so that they can get the best deals possible. According to prior research and literature, reinvestment costs come not just in the form of direct comps like room, F&B, and show tickets, but also in less obvious ways such as discounts on losses and bad debt costs.

This section of the paper discusses the findings of the literature more closely through an analysis of a detailed case study of an unnamed casino, which is quite involved in the high-end business. Specifically, though interviews were asked questions related to their day-to-day business, the company's general marketing and reinvestment strategy, the trends in the mix of business, and their knowledge and beliefs of the relevant recent developments and how they impact the business. Their responses were then analyzed and evaluated the findings of the literature review.

Methodology

Eisenhardt (1989) defines case study as a research strategy, develops a typology of case study designs, and describes the replication logic which is essential to the multiple case analysis. Her article also provides some guidelines as to how to best perform a case study. Specifically,

the researcher should employ an embedded design, that is, multiple levels of analysis within a single study, combine data collection methods such as archives, interviews, questionnaires and observations all used to accomplish various aims, provide detailed descriptions, and test or generate theory.

Some examples of case studies that can be follow for our research are Sutton and Callahan (1987), which use qualitative data in their study of the bankruptcy in Silicon Valley and Mintzberg and Waters's (1990) study of Steinberg's grocery empire. Mintzberg and Waters (1990) in particular make a good example due to their detailed focus on answering how strategies and ideas are operationalized in the business setting. They look at how management evaluates and responds to changes in the grocery business industry. They try to answer why strategies are deliberate, when they are unrealized, and when they are emergent, and follow up with data to illustrate the outcomes of said strategies. While my planned case study focuses on a different topic, the general methodology is the same. The goal is to understand how casino operators consider and then react to the various factors driving gaming business. Similar to Mintzberg and Waters, data analysis will be conducted to evaluate the profitability of pursuing the different segments of business.

In terms of such analysis, there are many different ways that we can use to evaluate our findings. Some examples of how we can perform our own research are as follows. One example would be that of Marfels (2010) from earlier, where he simply leverages secondary data collected at a very high level. He uses the data to shows the trend in comp offerings across an industry of various casinos. The survey by Salmon et al. (2004) that covers dozens of casino properties helped reveal common discounting practices and policies. They also perform some basic analysis to measure how those practices contribute to premium play profitability. Prentice

and King (2011) disclosed the factors that determine service performance by focusing their survey more on frontline service employees working in VIP gaming areas at a major Australasian casino. Finally and most ambitious of these examples is a study conducted by Ma and Lai (2016) who hired research assistants whose jobs were to survey several hundreds of tourists who were visiting Macau's casinos. That study consisted of a well-designed and very detailed questionnaire that helped figure out the biggest factors driving recreational gambling.

In this paper, the case study is conducted of an unnamed Las Vegas Strip casino property, which is a non-restricted property generating revenues of greater than \$72 million per year. Specifically, two casino operators from the property who are familiar with the business were interviewed in person. The first interviewee was a manager of the casino's high-end gaming club. She had 8 years of experience managing the club and its staff and was very familiar with handling high-end casino guests, especially those from China. The second interviewee was an executive of the mid-end marketing department. He has 20 years of experience in this industry and 4 years of experience in this position and his responsibilities include planning marketing promotions that target larger and more general demographics. There was less of a focus on developing the one-on-one relationship and more of a focus on driving volume.

Following Prentice and King (2011), the interview questions asked of the two casino operators are tactical and strategic in nature and thus relate to day-to-day operations as well as long-term department goals. This case study also follows the procedure it commended by Salmon et al. (2004), which proposes questions to casino operators who manage player relationship and reinvestment strategy.

After the interview questions have been vetted for relevance and thoroughness, the interviews were conducted in person with the interviewees answering the questions in as much

detail as they were comfortable with. The reason for conducting them in person is that explaining the objectives of the questions or clarifying any questions is made much easier. Also, the hope is that the more intimate survey method would elicit more honest and detailed responses. It is important to be mindful of interview biases, in particular in regards to social desirability, but these should not be too impactful because the interviewees are asked more factual questions than personal ones.

The surveys concluded with questions that ask about financial data in the hopes of analysis for this paper. As expected, the interviewees were very hesitant to divulge this information so specifics here are spotty at best and estimates are used in the profitability analysis.

In analyzing the profitability of the gaming segments, several pieces of data are required. Theoretical casino win, or theo for short, is what a player is expected to lose and is the most important metric for measuring revenue. A casino's reinvestment policy is usually tiered and can be quite complex. For example, a casino may choose to invest heavily in its high-end players or in its mass players. Usually, a target percentage of the theo is specified and the marketing departments and casino hosts are allowed to comp up to that amount. At the high-end, especially, players may negotiate very particular deals with casinos. A smart player may get away with a lot more than a more casual or free-spending guest (Lucas et al., 2002).

In addition to reinvestment, there are other expenses at the player-level. The biggest one is bad debt. It is impossible to know beforehand whether a guest who plays on a credit line will actually be troublesome for the casino when it comes to collecting debt. Ultimately, the casino ends up having to write off some of its debt as uncollectable. It is important to factor this into the probability calculation as it is the revenue that is lost. Gaming tax is another important expense.

For every dollar won by the casino, a percentage of it goes to the government.

Finally, it is important to also consider data on fixed costs that are not directly related to the players as they too affect casino profitability. These include the capital costs of new amenities developed at the casino, such as the ones described in the literature review (Pulley, 1998; Berzon et al., 2012); labor cost; and other operating costs of running supporting departments, including surveillance, marketing, and IT.

Profitability is revenue minus all the player-specific variable expenses after the fixed expenses. With this information, profit margins can be calculated to determine the share of revenue that hits the bottom line. Furthermore, through such financial analysis, casino operators can see where the lowest hanging fruit is. They can determine the segments of business that are most worthwhile, the ones that cost the least to invest the next dollar in, and use these results to drive greater profits.

Case Study Results

The survey questions asked of our two interviewees can be found in the paper's Appendix. The questions for the high-end gaming club manager are listed first followed by those for the marketing department director. In this section, a summary of the most useful answers obtained from the case study interview are presented. What is ultimately gleaned from the interview results are useful estimations of the costs the casino faces when doing business with the high-end segment. Specifically, these costs relate to reinvesting back into the players, variable costs that are correlated with gaming volume, and labor and overhead required to maintain or support operations. These estimates can then be entered into a profitability analysis that will allow for a better understanding of the business returns and where the greatest opportunities may lie.

In regards to reinvestment, the high-end gaming club manager responded that “...*the hosts base their reinvestment decisions on the guests’ theo from their current and prior gaming trips. The main tool of reinvestment is the comp. Rooms, food and beverage, entertainment, transportation, and airfare are comped. For a lot of guests, because they are high-end guests, discounts and allowances are also offered, but these are usually negotiated on a one-on-one basis.*”

Player reinvestment is one of the biggest expenses a casino faces when it comes to marketing. Unlike in most other businesses, customers in this industry have grown to expect complimentary offerings when they do business. The more they “buy” the more they get back. In the interview, it is noted that the main form of reinvestment is the comp. Examples include just about anything the casino resort property is able to offer ranging from the obvious “rooms, food and beverage” on the lower-end to even paying for a guest and his or her family’s flight on the high-end. As anticipated from the literature review, high-end guests also receive discounts and allowances as incentives for visiting and playing.

The mid-end marketing department director gives a similar answer: “*The premium mass marketing department caters to guests whose worth is at least \$500 ADT up to \$5,000 ADT. Since this segment is still relatively small, the department has hosts who can personally attend to guests... The department coordinates with the casino marketing department to understand who is in their database. Promotions are built around qualifying players.*”

The difference with mid-end marketing is that rather than “one-on-one” offers, promotions are built around a bigger database of players. There is less customization of the reinvestment offer, but in the end, it is still based on the idea of giving complimentaries to guests.

Both interviewees note that reinvestment is based on “theo” or “ADT.” This concept was glossed over in the literature review but deserves defining here as it is a major component of the profitability analysis. Theo is short for theoretical and stands for the amount a guest is expected to lose given their play volume, game choice, and betting strategies. The longer a guest plays, the more he is expected to lose, i.e. the more theo he generates. Likewise, if the guest plays on a table game with a higher house advantage or if he plays more hands per hour or bets more per hand, he generates more theo. ADT stands for average daily theo and it is a measure of the amount a guest is expected to lose per day of play. The precise calculation of theo and ADT is beyond the scope of this professional paper; what is important is that theo is an estimate of revenue and that reinvestment is based on this estimate.

From the literature review, Marfels (2010) noted an increase in comps per dollar of revenue, estimating the ratio to be at 36% for Atlantic City casinos in 2009. Lucas et al. (2002) found that 35% to 50% of theo seems to be norm. The interviewees’ responses are in line with what was found in the literature. While on the low-end, reinvestment is very low, the mid-end players who are regularly marketed to with promotions see a much larger amount paid back to them in the form of free rooms and promotional chips especially. For the high-end, the reinvestment rate gets even higher as transportation, airfare, discounts, and other payouts are factored into account.

As for other expenses, the high-end gaming club manager commented that *“We offer our guests private gaming rooms, a lounge bar with a beverage inventory of around \$3 million, a dining area, butler service, and a personal concierge to help book shows and other appointments... Coordinators, butlers, assistant butlers, supervisors, a manager, a director, executive chef, chefs, and assistant chefs... Taxes and bad credit are hidden costs for our*

casino.”

The mid-end marketing director noted similar other expenses: “...*the department has coordinators and managers who coordinate with various other departments to come up with marketing promotions and events to offer their guests... Administrative staff, managers, casino hosts, a vice president.*”

There is no doubt that taxes on gaming revenue are incurred and that is a cost that cuts into revenue. The tax rate in Nevada is approximately 7.75%. At the high-end, it can be viewed as effectively lower because the tax rate is applied on revenue net of discounts. Bad debt was also mentioned, because extending credit is also a cost to the casino. There are two reasons for this. First, it delays payment of losses by players, which is an opportunity cost for the casino. Second and more importantly, the casino runs the risk of not being able to collect from a guest and having to write off the debt. It was gathered from the interview that about 11% of debt can go bad. Credit is extended to high-end guests, but some exceptions are made so that creditworthy mid-end players can play on credit too.

Also noted in the interviews are the many other various costs associated with running the casino operation, all of which would figure into player profitability to some extent. After all, the departments are there to support the player’s gambling. Labor is the most obvious cost. The high-end players club manager says there are coordinators, butlers, assistant butlers, supervisors, managers and directors working the high-end club rooms. Behind the scenes, there are chefs. Concierge requires staff. And obviously, the table games need dealers and pit managers to run and supervise the gambling. Less obvious is the labor associated with other supporting departments such as that of the mid-end marketing director.

Moreover, besides labor, departments incur costs relating to equipment maintenance,

operating supplies, uniforms, and especially in marketing, printing and postage. Running special events to attract guests also adds another layer of costs, although a lot of this cost figures into reinvestment.

Analysis Results

As seen earlier, a lot can be gleaned from the interviewees' responses. Nonetheless, the interviewees were hesitant to provide any precise financial data. For that reason, what follows are estimates of the casino's revenue and expenses, which are either taken directly from the interview as percentage estimates, inferred from interview answers, or drawn from the literature review. These data are used to conduct a basic profitability analysis to get an idea of the value of the casino's various business segments. The profitability analysis will allow for recommendations to be drawn, which will be presented in the following section.

The expenses' estimated share of revenue is in Table 1. These expenses are either provided by the interviewees or estimated from their responses to the survey questions. When asked about the timeframe for which these estimates are relevant, the interviewees mentioned that they apply to the business in roughly the last three years.

Table 2 presents a basic analysis as to where profit lies. Based on the interview with the casino operators, it is estimated that around half of the casino's gaming revenue is generated by the high-end segment and another 20% and 30% of the revenue come from the mid-end and low-end segments, respectively. No actual figures were provided but assuming that the casino is a \$100 million a year revenue operation, it can be estimated from these percentages that \$50 million in revenue come from the high-end segment, \$20 million from the mid-end, and \$30 million from the low-end. Taking the segment profit margins estimated in Table 1 and applying them to these revenue figures gives us estimated profits of \$2.5 million, \$8.8 million, and \$10.5

million from the high-end, mid-end, and low-end, respectively.

Table 1 – Estimated Income Statement by Segment (as percentages)

	High-end	Mid-end	Low-end
	%	%	%
Revenue	100	100	100
Player-specific expenses			
Reinvestment expenses			
Room, F&B, transportation, chips, etc	12	16	8
Airfare and allowances	20	5	0
Discount policy	30	3	1
Other player-variable expenses			
Gaming taxes	5	6	7
Bad debt	11	0	0
Fixed expenses			
Labor	12	24	48
High-end club operating	3	0	0
Supporting departments	2	2	2
Total expenses	95	56	65
Profit margin	5	44	35

Table 2 – Estimated Share of Profit by Gaming Segment

	High-end	Mid-end	Low-end
Estimated share of revenue	50%	20%	30%
Example revenues	\$50 M	\$20 M	\$30 M
Profit margin	5%	44%	35%
Example profit	\$2.5 M	\$8.8 M	\$10.5 M
Share of profit	11%	40%	48%

Then, despite the large revenues the casino generates from its richest and most coveted

segment, its profits are actually quite small in comparison to the high-volume lower-end gaming segments. The costs incurred in reinvestment and other player-specific variable expenses more than offset the revenue premium players bring in. Based on these rough estimates, Table 2 shows that almost 90% of the casino's share of profit comes from the mid-end and low-end segments.

Discussion

The purpose of this paper is to determine how much casinos should focus on their high-end gaming segments and whether shifting some of their marketing efforts to the lower-end mass segments might be a more profitable strategy. The paper uses a case study of an anonymous Las Vegas Strip casino property to understand the costs a casino faces when serving the various gaming segments.

Based on the above results, we find that the casino is prototypical of the examples discussed in the literature review. A large share of business can be found in the high-end gaming segment as this is where the revenues are highest. This shows that competition for this business segment is still quite vigorous. But at the same time, the data show that this same segment suffers from the largest expenses. Indeed, reinvestment costs are so large that nearly all of the revenues generated are eaten into and the result is very miniscule profit margin.

There is great risk in this segment as any volatility in player winnings can lead to large losses for the casino too. It is important to remember that even though the final aggregate profits from this segment are lower, there are much fewer players in this segment compared to the mid-end and lower-end segments. It is estimated that for every one high-end guests, there are approximately 20 mid-end guests and 300 lower-end guests. That one high-end guest, however, may be on the low end of the premium range losing only \$10,000 a day, or she may be a true whale, betting that same amount per hand. Each individual high-end may have a low profit

margin but likely generate a lot more absolute profit per trip than the average individual mid-end and lower-end player.

Nonetheless, in contrast, the mid-end and lower-end gaming segments show very healthy profit margins according to the estimated data. The only issue is that the casino has not invested nearly as much into driving volume in these segments. As a result, total revenues are lower for both. Rather than viewing this as a weakness, the casino should see this as an opportunity for growth. The casino should consider shifting some of the large expenses incurred in the high-end segment toward the mid- and lower-end gaming segments. The results of this shift can be anticipated to be twofold. First, if the incentives are set up correctly, players in these lower segments can be incited to play up. If even a small fraction of them do, this will produce substantial additional revenue. Second, the investment dollars need not target only existing players. New players can be attracted as well.

As casinos sort these issues out, some are finding it more profitable to invest more into the mid-end segment. Promotions, tournaments, and special events drive a much more volume and revenue than they cost. In addition, Las Vegas properties have invested heavily in developing many its non-gaming amenities, such as entertainment venues, dining options, and other general attractions. These are the types of amenities that casinos can leverage when it comes to the marketing offers they extend to their volume guests. Analyzing player databases to come up with better customized or segmented offers is another worthwhile and cost-effective effort. There are a lot of benefits to be gained from the mid-end segment, and I expect casino operators to continue focusing here more and more as the margin profits in this segment outweigh those of others.

Conclusions

To reiterate, the goal of the paper is to first explore the decline in business in the high-end gaming segment. Specifically, it seeks to understand why there is a decline. As was noted earlier, a big part of the reason for the decline is external. The case study and subsequent analysis of its results find that casino management and operations is the other culprit. As such, the paper then recommends whether casino operators should be directing their attention elsewhere.

What was found was that the casino was for the most part representative of those casinos that got caught in the trap of over-reinvesting in the high-end gaming segments described in the literature review. The casino struggled to generate large revenues from this business segment, and even when they did, they had to incur large expenses that ate away at its profitability. The recent developments in China have reduced visitation and play at the casino greatly. Fewer high-end guests mean greater risk for the casino as it only takes a handful of winning players to cause the casino to suffer losses. At the same time, stricter anti-money laundering policies have also hindered the casino's ability to market and attract players. Finally, it is implied that the casino operators are reinvesting quite heavily to keep their player base from moving to their competition. The specifics will be discussed in more detail in this section, but they include incentives such as heavy discounts, promotional chips, and exorbitant credit lines.

As we have seen, there is a lot of pressure on a casino's high-end business. This market, which is mostly driven by high-end Chinese baccarat players, is in a decline, mostly due to the recent Chinese crackdown on corruption but also other factors such as the cooling down of the Chinese economy. Meanwhile, casinos continue to face costs that continue to grow substantially as casinos compete for the remaining high-end players. If a comp or reimbursement is not offered or a luxury gaming suite is not built, the casino risks losing business. Casino credit continues to be extended to retain play.

But is it all worth it? The answer is that it depends. There are certainly profits to be had here, because after all, it cannot be denied that high-end players bring in the biggest revenues. But big revenues also mean big expenses, and the profitability of this segment revolves around decisions like the correct implementation of rebate deals, smarter casino credit deals that lead to less bad debt, and less aggressive comp policies. More importantly, operators will need to do all of this while attracting more and new high-end guests to their casinos. There is too much volatility to high-end play when volume is low and this poses further risk. In addition, the casino needs to offset the high fixed costs of running a high-end operation. So if a casino can do all of this, it can certainly benefit from the high-end business.

Limitations and Recommendations for Future Research

A major constraint of the analysis in this paper is the lack of actual data. As a result, a lot of the conclusions drawn concerning the case in point are based on the best estimates collected from the interviewees. In the future, if time and resources were not a limiting factor, the researcher can consider a non-disclosure agreement with the casino, including protection of critical financial data. Although that would prevent specific numbers from being discussed in a professional paper or journal article, the insights gained from using actual data would be much more accurate and valuable, especially for the casino being researched. General results can then be shared, but they would be based on good data.

Furthermore, it may also be fruitful to interview additional casino operators as not all operators understand and execute the business the same manner. There can be more confidence in the conclusions drawn when more people are surveyed for their answers. Also, some of the interview biases discussed earlier can be mitigated or even overcome as more people are interviewed and as the interviewer learns better survey techniques through greater practice.

Finally, the scope of the research can be expanded to include not only the high-end gaming segment but also the mid-end and low-end segments. This will involve a more detailed analysis because of the sheer volume and diversity of players at these levels. Not only will these players play a wider mix of games, such as blackjack, craps, slot machines, video poker, and poker, they will also come from a much broader set of backgrounds. They can be tourists, convention business, local gamblers, or professional poker players. They can be driving in from California right next door, making a trip from New York or the South, or even flying in from Europe or Latin America. Las Vegas is a global destination and it will attract all sorts of people. It is important for a casino to examine all segments of its business and understand where to invest its resources to maximize profitability.

Appendix

Figure 3. Interview Questions for Mid-end Marketing Operator

What is a mid-end marketing department?

When was it established?

How big is the team? What employees are needed and what do they do?

What is the purpose of this department?

Who are your guests?

How big is this market? Compared to the VIP segment?

What type of guests?

Who helped these mid-end guests before your department was established? What major differences have these guests experienced since?

How many more guests are enrolled by your department?

How does your department attract new guests?

How does your department maintain loyalty? Guests like to gamble at different casinos.

If you have a chance to be in charge of either a VIP or mass market, will you still choose mass? Why?

A hundred \$10k guests is equal to one \$1 million guest. Is this argument valid? Do you still think the mass market is worth investing in? Why?

How about your competitors? What are their strategies and why do you think so?

Casinos always provide a lot of promotions or tournament events, does these events normally attract enough guests as you expected? How do you inform your guests for those events?

How much do you reinvest back into your guests? What type of reinvestment tools do you consider?

Room, food, and beverage percentage? Cost?

Entertainment, transportation, other comps percentage? Cost?

Airfare/allowances percentage? Cost?

Discount policy? Cost?

Promo chips, slot free play percentage? Cost?

What other expenses do you incur with high-end guests?

Bad debt?

Figure 4. Interview Questions for high-end club operator

What amenities are offered? Please describe specific goods and services.

What employees are involved in your day-to-day operations? This includes behind-the-scenes employees.

What are the costs involved to run your department?

Cost of goods sold?

Labor costs?

Who are your guests?

What are the requirements to become a member of the club?

Do guests come in groups or as individuals?

What type of guests are they? What games do they play?

Where are they from?

When do they come? For events?

How do they come to Vegas? (private jet, limo, or by themselves)

How much does a guest spend daily?

On average, how many guests do you host each week? How about 5 years ago?

How does the business today compare to that from five years ago? Please be specific.

Has the number of guests increased or decreased? Why do you think so? How this increase/decrease affects your business structure?

What is the general strategy the company employs to attract high-end guests?

What adjustments did the company make because there are fewer guests? Have these adjustments been successful?

How much do you reinvest back into your guests? What type of reinvestment tools do you consider?

Room, food, and beverage percentage? Cost?

Entertainment, transportation, other comps percentage? Cost?

Airfare/allowances percentage? Cost?

Discount policy? Cost?

Promo chips, slot free play percentage? Cost?

What other expenses do you incur with high-end guests?

Bad debt?

Extra labor?

Opportunity costs?

How about your competitor's clubs? What are their strategies and why do you think so?

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Exempt Research Application Form

Applicable Policy – 45 CFR 46.101 (b)

Instructions:

1. CITI certification (www.citiprogram.org) must be current at the time of protocol submission.
2. Complete this application if you believe your study qualifies as exempt research based on the categories below. The ORI- HS/IRB will make the final determination of exempt research projects. The exempt determination must be granted in writing before research can begin on the project.
3. Exempt research must adhere to the same ethical principles governing all research.
4. Exempt applications must include copies of informed consent/information sheets, questionnaires/surveys, advertisements, etc.
5. If the IRB determines the research to be non-exempt, the project must be resubmitted with the completed Research Protocol Proposal Form to again proceed through the IRB review process.

Note:

2. INCOMPLETE FORMS WILL BE RETURNED.

1. Duration of Study

Anticipated Time to Complete the Study: 1 year

2. Research Protocol Title

Examining the high-end gaming segment:Toward a shift in market focus

3. Investigator(s) Contact Information

(The PI must be a UNLV faculty member in all cases involving studies carried out by students or fellows.)

A. Principal Investigator (*Name and Credentials*): BILLY BAI, PHD

Faculty Faculty Advisor Department: Hotel College

Phone Number: 702.895.4459 E-Mail Address: billy.bai@unlv.edu

B. Student/Fellow Investigator (*Name and Credentials*): Jiaqi Wu

Undergraduate Masters Doctoral Fellow

Department: MBA/Hotel College Phone Number: 702.588.3165 E-Mail Address: wuj17@unlv.nevada.edu

C. Please complete (if applicable)

Protocol/Research Coordinator (*Name and Credentials*): _____

Phone Number: _____ E-Mail Address: _____

Co-Principal Investigator (*Name and Credentials*): _____

Faculty Department: _____

Phone Number: _____

E-Mail Address: _____

4. Risk Assessment

4.1 In order for your study to qualify as exempt, it may only involve minimal risk. By Federal Regulations at 45CFR46.102(i), “*Minimal risk means that the probability and magnitude of harm or discomfort anticipated in the research are not greater in and of themselves than those ordinarily encountered in daily life or during the performance of routine physical or psychological examinations or tests.*”

Does your study meet the definition of minimal risk as defined above? Yes No

Describe the risks to project participants (e.g., breach of confidentiality) and explain how they will be minimized, this should include a description regarding how participants’ confidentiality will be protected (e.g., data collected for the study will be kept on a password protected desktop computer in a locked office). All interview answers and other data collected will be anonymized and kept confidential. Data will be secured on a password protected laptop at all times.

5. Category of Exemption: Please indicate your exemption category choice by completing the relevant categories from the list below. Please note: The Federal regulations do not permit any new categories and only the IRB may determine which research activities qualify for an exempt review.

KEY:	<input type="checkbox"/> Solid box: All items in the box must be true	<input checked="" type="checkbox"/> Dotted box: One item in the box must be true
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<input type="checkbox"/> Category 1 (All of the following are true):							
<table border="1"><tr><td><input type="checkbox"/> Research conducted in established or commonly accepted educational settings</td></tr><tr><td><input type="checkbox"/> The research involves normal educational practices, such as (i) research on regular and special education instructional strategies, or (ii) research on the effectiveness of or the comparison among instructional techniques, curricula, or classroom management methods</td></tr><tr><td><input type="checkbox"/> The research is NOT subject to FDA regulation (e.g.; drug, devices, or biologics)</td></tr><tr><td><input type="checkbox"/> The research does NOT involve prisoners as participants</td></tr></table>	<input type="checkbox"/> Research conducted in established or commonly accepted educational settings	<input type="checkbox"/> The research involves normal educational practices, such as (i) research on regular and special education instructional strategies, or (ii) research on the effectiveness of or the comparison among instructional techniques, curricula, or classroom management methods	<input type="checkbox"/> The research is NOT subject to FDA regulation (e.g.; drug, devices, or biologics)	<input type="checkbox"/> The research does NOT involve prisoners as participants			
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<input checked="" type="checkbox"/> Category 2 (All of the following are true):							
<table border="1"><tr><td><input checked="" type="checkbox"/> The research involves the use of one or more of the following:</td></tr><tr><td><table border="1"><tr><td><input type="checkbox"/> Educational tests (cognitive, diagnostic, aptitude, achievement)</td></tr><tr><td><input type="checkbox"/> Survey procedures</td></tr><tr><td><input checked="" type="checkbox"/> Interview procedures</td></tr><tr><td><input type="checkbox"/> Observation of public behavior</td></tr></table></td></tr><tr><td><input type="checkbox"/> When the research involves children as participants, the procedures are limited to:</td></tr></table>	<input checked="" type="checkbox"/> The research involves the use of one or more of the following:	<table border="1"><tr><td><input type="checkbox"/> Educational tests (cognitive, diagnostic, aptitude, achievement)</td></tr><tr><td><input type="checkbox"/> Survey procedures</td></tr><tr><td><input checked="" type="checkbox"/> Interview procedures</td></tr><tr><td><input type="checkbox"/> Observation of public behavior</td></tr></table>	<input type="checkbox"/> Educational tests (cognitive, diagnostic, aptitude, achievement)	<input type="checkbox"/> Survey procedures	<input checked="" type="checkbox"/> Interview procedures	<input type="checkbox"/> Observation of public behavior	<input type="checkbox"/> When the research involves children as participants, the procedures are limited to:
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- Educational tests (cognitive, diagnostic, aptitude, achievement)
- Observation of public behavior where the investigator(s) will **NOT** participate in the activities being observed

Information obtained is recorded in such a manner that either:

- Participants **CANNOT** be identified, directly or through identifiers linked to the participants.
- Both of the following are true:
 - Participants **CAN** be identified, directly or through identifiers linked to the participants.
 - Any disclosure of the participants' responses outside the research could **NOT** reasonably place them at risk of criminal or civil liability or be damaging to their financial standing, employability, or reputation.

- The research is **NOT** subject to FDA regulation (e.g.; drug, devices, or biologics)
- The research does **NOT** involve prisoners as participants

Category 3 (All of the following are true):

- The research is **NOT** exempt under Category 2 above
- The research involves the use of one or more of the following
 - Educational tests (cognitive, diagnostic, aptitude, achievement)
 - Survey procedures
 - Interview procedures
 - Observation of public behavior
- Either of the following is true
 - The participants are elected or appointed public officials or candidates for public office
 - Federal statute(s) require(s) without exception that the confidentiality of the personally identifiable information will be maintained throughout the research and thereafter
- The research is **NOT** subject to FDA regulation (e.g.; drug, devices, or biologics)
- The research does **NOT** involve prisoners as participants

Category 4 (All of the following are true):

The research involves the collection or study of existing data, documents, records, pathological specimens, or diagnostic specimens (i.e., the reviewed materials currently exist and are **NOT** prospectively collected). **Indicate in protocol the data collection date range.**

At least one of the following is true:

These sources are publicly available

Information¹ is recorded in such a manner that both of the following are true:

Participants cannot be directly identified

Participants cannot be identified through identifiers linked to them

¹Protocol must contain what information is recorded and how it is recorded.

The research is **NOT** subject to FDA regulation (e.g.; drug, devices, or biologics)

The research does **NOT** involve prisoners as participants

Category 5² (All of the following are true):

The project is a research or demonstration project

The project is conducted by or subject to the approval of Department or Agency heads

The project is designed to study, evaluate, or otherwise examine: (i) Public benefit or service programs; (ii) procedures for obtaining benefits or services under those programs; (iii) possible changes in or alternatives to those programs or procedures; or (iv) possible changes in methods or levels of payment for benefits or services under those programs

The program under study delivers a public benefit (e.g., financial or medical benefits as provided under the Social Security Act) or service (e.g., social, supportive, or nutrition services as provided under the Older Americans Act)

The project is conducted pursuant to specific federal statutory authority

There is no statutory requirement that an IRB review the project

The project does not involve significant physical invasions or intrusions upon the privacy of participants

The research is **NOT** subject to FDA regulation (e.g.; drug, devices, or biologics)

The research does **NOT** involve prisoners as participants

² According to OHRP, this exemption is most appropriately invoked with authorization or concurrence by the funding agency.

Category 6 (All of the following are true):

The research involves a taste and food quality evaluation and consumer acceptance studies

One of the following is true:

Wholesome foods without additives will be consumed

A food will be consumed that contains a food ingredient and both of the following are true:

The food ingredient is at or below the level to be safe

The food ingredient is for a use found to be safe

A food will be consumed that contains an agricultural chemical or environmental contaminant and one of the following is true:

The agricultural chemical or environmental contaminant is at or below the level found to be safe by the Food and Drug Administration

The agricultural chemical or environmental contaminant is at or below the level approved by the Environmental Protection Agency

The agricultural chemical or environmental contaminant is at or below the level approved by the Food Safety and Inspection Service of the U.S. Department of Agriculture

The research is **NOT** subject to FDA regulation (e.g.; drug, devices, or biologics)

The research does **NOT** involve prisoners as participants

6. Research Team Members: *List all research team members (including PI) who will have contact with subjects, have contact with subjects' data or biological samples, or use subjects' personal information. If needed, see the Additional Research Team Member Form. If you are collaborating with non-UNLV researchers, complete Supplement B: Collaborative Research with External Sites*

NAME, DEPARTMENT, and INSTITUTION	ROLE IN PROTOCOL	SPECIFIC EXPERIENCE WITH ROLE IN PROTOCOL	ROLE IN CONSENT PROCESS
EXAMPLE: Dr. Chris Researcher, Research Department, UNLV	EXAMPLE: Developed protocol, collecting data, analyzing data, writing report	EXAMPLE: Has had 7 years of conducting and publishing human subjects research at a university	EXAMPLE: Recruiting subjects, writing the consent form, consenting subjects, answering questions
Dr. Billy Bai, Hotel College	Developed protocol, collecting data, analyzing data, writing report	Has had 15 years of conducting and publishing human subjects research at UNLV 1	Writing the consent form, consenting subjects, answering questions
Jiaqi Wu, Hotel College	Conducting interview, collecting data, analyzing data, writing report	HOA 735, HOA 788, other HOA and MBA classes that taught proper research and academic writing protocol	Recruiting subjects, providing details of confidentiality, answering questions

7. Project Details

A. Describe the purpose of the project and how you will conduct it. *Clearly describe any procedures to be used during*

the conduct of the study. In addition, describe the recruitment process and include copies of all recruitment materials

to be used for this study. The purpose of this research is to examine if casinos should focus on the high-end gaming segment, using Las Vegas as an example. Specifically, we will analyze the causes behind the decline in high-end gaming. We will then attempt to conduct a cost and benefit analysis with information collected from in-person interviews and company reports. Finally, we will make recommendations with regard to a shift in the gaming market focus in the current operating environment. Most of the data to be used for this project is secondary data accessible from published sources. Interview data will be collected through two interviews. The interviewees are executives who are currently working in the gaming operations and they will be recruited from a local casino with consent.

B. Maximum number of subjects: 2

C. Describe study population/specimens/data to be studied (e.g., healthy adults age 18-45). *Please note that research*

involving prisoners is not eligible for exemption; and research involving children has more restrictive exemption

criteria (see letter F below for additional details). Casino executives familiar with the gaming business

D. Describe the consent process for enrolling subjects into this study including whether an oral or written

consent process will be used. Oral consent, informed consent form

D.1. If you are not obtaining consent, please provide your rationale: _____

E. Describe how the data will be protected (include location, length of time and disposition of data). On a password-protected laptop at all times. Data will be disposed of after research is done.

F. If you will be using a questionnaire, survey or interview procedure, please indicate the setting where the research will

take place (**NOTE:** Interview or survey research involving children cannot be exempt from IRB review.):

Classroom

UNLV

- Subjects' home (e.g., mailed survey)
- Electronic/internet forum
- Other, please specify: At a mutually agreed upon and convenient location

8. Category 4 Details (Complete if you selected category #4 in section 5 above)

8.1 If you selected category 4 in section 5 above and your project involves the collection of data (e.g., medical records/chart review/academic records/database research), answer the following:

Note: If you are recording identifiable information from medical records, charts, academic records, or recording the medical record number or code linking information to the medical/academic record number, the project cannot be exempted under the federal regulations. A Protocol Proposal Form must be submitted for such studies.

- a) Identify the source of the data: _____
- b) Provide the date range of the data to be collected. Include specific dates and state whether the data will be in existence at the time you submit this application to the IRB: _____
- c) Provide the estimated number of subjects whose data will be collected for the study: _____
- d) Indicate how the study data will be recorded so that it is not identifiable (e.g. study data will not include direct identifiers or a code linking data to subjects' identity): _____
- e) Indicate who will access the medical records and how they have valid clinical access to these records (e.g., involved in the patients' care). Valid clinical access is defined as individual normally having access to the records as part of their usual clinical activities): _____
- f) Attach a copy of the data collection sheet that details the data that will be collected for this project. If a data collection sheet is not being attached to this application, please explain why: _____

9. Financial Information

9.1 Will subjects be paid or otherwise compensated for research participation? Yes No

If yes, please respond to the following questions:

a) Describe the nature of any compensation to subjects. Include cash, gifts, research credit, etc. _____

b) Provide a dollar amount, if applicable, and indicate method of payment.

Cash Check Research Credit Other: _____

c) When and how is the compensation provided to the subject? _____

d) What is the effect on compensation if a subject does not complete the study?

9.2 Is there any internal or external funding (e.g., grants, contracts, gifts, etc.) Yes No

If yes:

a) Name of Sponsor or UNLV Grant Program: _____

b) Attach a copy of the proposal and/or award document.

10. Protected Health Information (PHI): All projects must indicate whether PHI will be used and/or disclosed as part of the research. Please select one of the following:

The activity is *exempt* from research HIPAA requirements as no PHI is used or collected (*Information collected must have all 18 elements as defined by the [HIPAA Privacy Rule](#) removed so that an individual or the individual's relatives may not be identified*)

A *waiver* for use and/or disclosure of PHI is requested (*submit a request for waiver of HIPAA Authorization*)

HIPAA Authorization for use and disclosure of PHI will be obtained from subjects (*submit a HIPAA Authorization form*)

A *limited data set* will be utilized (*The only identifying elements from the list of HIPAA identifiers that may be included are city, state, and/or ZIP Code; elements of date; and other numbers, characteristics, or codes not listed as direct identifiers*)

Please note: A Data Use Agreement (DUA) is required to use and/or disclose information contained in a “limited data set”. Please provide a copy of the executed DUA along with this submission. Submissions cannot be processed without this document.

11. Signatures of Assurance

A. Investigator’s Assurance:

I certify that the information provided in this application is complete and accurate. As Principal Investigator, I have ultimate responsibility for the conduct of this study, the ethical performance of the project, the protection of the rights and welfare of human subjects and strict adherence to

any stipulations designated by the IRB. I agree to comply with all UNLV policies and procedures, as well as with all applicable Federal, State and local laws regarding the protection of human subjects in research including, but not limited to the following:

- Performing the project by qualified personnel according to the approved protocol.
- Not changing the approved protocol or consent form without prior IRB approval (except in an emergency, if necessary, to safeguard the well-being of human subjects).
- Obtaining proper informed consent from human subjects or their legally responsible representative, using only the currently approved, stamped consent form.
- Promptly reporting adverse events to ORI – Human Subjects in writing according to IRB guidelines.
- Arranging for a co-investigator to assume direct responsibility, if the PI will be unavailable to direct this research personally, as when on sabbatical leave or vacation.

*****FACULTY ADVISOR (IF APPLICABLE):** By submitting as Principal Investigator on this research application, I certify that the student/fellow investigator is knowledgeable about the regulations and policies governing research with human subjects and has sufficient training and experience to conduct this particular study in accordance with the approved protocol. In addition:

- I agree to act as the liaison between the IRB and the student/fellow investigator with all written and verbal communications.
- I agree to meet with the student/fellow investigator on a regular basis to monitor the progress of the study.
- I agree to be available and to personally supervise the student/fellow investigator in solving problems, as they arise.
- I assure that the student/fellow investigator will promptly report adverse events to ORI – Human Subjects according to IRB guidelines.
- I will arrange for an alternate faculty advisor to assume responsibility if I become unavailable, as when on sabbatical leave or vacation.
- I assure that the student/fellow investigator will follow through with the storage and destruction of data as outlined in the protocol.
- By submitting this form electronically, I agree to the assurance as stated above.

The logo for the University of Nevada, Las Vegas (UNLV), featuring the letters 'UNLV' in a large, bold, red serif font.

EXEMPT RESEARCH STUDY

INFORMATION SHEET

Department of Graduate Hotel College

TITLE OF STUDY: Examining the high-end gaming segment:Toward a shift in market focus

INVESTIGATOR(S) AND CONTACT PHONE NUMBER: Dr. Billy Bai (702-895-4459) and Ms. Jiaqi Wu (702.588.3165)

The purpose of this study is conduct an interview and collect data on your casino's marketing operations to understand profitability, with all results being kept confidential and anonymous. You are being asked to participate in the study because you meet the following criteria: you are involved in the day-to-day casino gaming and marketing operations and will be able to provide useful data for my research.

If you volunteer to participate in this study, you will be asked to do the following: participate in an interview and answer a number of questions relating to marketing operations and how they affect player segment profitability.

This study includes only minimal risks. The study will take *60 minutes* of your time. You will not be compensated for your time.

For questions regarding the rights of research subjects, any complaints or comments regarding the manner in which the study is being conducted you may contact **the UNLV Office of Research Integrity – Human Subjects at 702-895-2794, toll free at 877-895-2794, or via email at IRB@unlv.edu.**

Your participation in this study is voluntary. You may withdraw at any time. You are encouraged to ask questions about this study at the beginning or any time during the research study.

Participant Consent:

I have read the above information and agree to participate in this study. I am at least 18 years of age. A copy of this form has been given to me.