

Taking chances on casinos - gaming casinos

by **Kevin Huebsch**

Gaming casinos are opening at a rapid rate. Although Americans' feelings about gambling are mixed, the number of people who visit casinos is growing rapidly. To keep this ball rolling, casinos are positioning themselves solidly in the mainstream, offering everything from roller-coaster rides to child care.

A siren sounds, lights flash, and a woman shrieks. A crowd gathers. There's been a killing. On a casino riverboat gliding down the [Des Plaines River](#) in [Illinois](#), a woman has just won \$5,000 from a 50-cent slot machine.

The rapid rise of legalized public gaming in the U.S. has created a rush to attract wagers, a scramble to collect taxes, and worries about possible resulting social ills. But there is nothing complicated here on board Harrah's Southern Star in Joliet, Illinois. A slot attendant hurries up to congratulate the stunned player, shut off the siren, and write out a jackpot request slip.

Recreational gambling is moving into the mainstream. Fifty-six percent of Americans gambled at least once in 1996, according to [Roper Starch Worldwide Inc.](#) of New York City. Casino games and state-run lotteries were the most popular gambles. For the majority who anted up, the wager was not dramatic. Six in ten lottery players report spending less than \$10 per month on tickets in 1996, according to a CNN/USA Today survey by Gallup. But \$1 scratch tickets and quarter slot tokens add up. Americans spent \$44.4 billion on wagers in 1995, according to research by Christiansen/Cummings Associates, Inc. in *International Gaming & Wagering Business* magazine. That's more than three times the combined amount they spent on box-office movies and theme parks.

U.S. casinos have not tapped a hidden Monte Carlo crowd of James Bonds. They have reached the mainstream. The most striking demographic feature of modern casino gamblers is their lack of striking demographic features.

Gambling of all types typically increases with income, usually indicating greater discretionary income and increased accessibility to gambling venues. Participation in the most accessible games, such as bingo and lotteries, is highest for those with middle incomes, while casino gambling peaks with the highest incomes and levels of education. Among those with incomes below \$15,000 in 1996, only one in ten visited a casino in the previous year. For those with incomes of \$75,000 or more, the share was one in three. Casino gamblers exhibit other traits related to high income. They are more likely than average to have a college degree, are more likely than average to have white-collar jobs, and are likely to be in the peak earning years of 45 to 54.

The typical casino visitor may have a higher-than-average income, but he or she is not adverse to adding to it. Winning money is the most important reason why people say they visit a casino. Three in four casino patrons say they go primarily to win "a really large amount of money," according to a Roper survey. Entertainment and recreation follow money, cited as an important reason for 57 percent of patrons.

Casinos attempt to balance these two customer expectations in advertising and on the casino floor. Clearly, casinos and patrons are somewhat at odds about the extent to which "really large amounts" of money can pass from the casino to the patron. Casinos may advertise the "loosest" slots, but more importantly, they promise unlimited entertainment.

SELLING THE EXPERIENCE

The influx of new casino gamblers has changed the nature of casino business. The "traditional" blackjack player hedged against the house odds. But the new casino patron is more likely to think in terms of bargains. Fifty-seven percent of adults who'd been to a casino in the year before Roper interviewed them in 1993 said that "relatively cheap" entertainment was an important reason for going, up from 51 percent in 1988.

New casino patrons are not likely to be high rollers, and casino gaming profits increasingly depend on "churn"--cycling through a larger number of smaller bets. Quick service and convenience are also important to recent casino gamblers. More than one-third say they visited a casino because casino gambling doesn't take much time. A look at the newest casinos on the Vegas strip and elsewhere illustrates how the battle for the mainstream gambler is changing the industry.

Las Vegas has never been demure, but neon lights and showgirls are no longer enough to draw customers. The city's newest casino, New York-New York Hotel & Casino, is a collision of downtown Manhattan and Walt Disney World at the south end of the Las Vegas strip. It features 12 Manhattan skyscrapers at one-third scale, a Coney Island-style roller coaster, a 100-yard-long Brooklyn Bridge, and a 150-foot Statue of Liberty, all of which house 84,000 square feet of casino space. New York-New York cost MGM Grand, Inc. and Primadonna Resorts, Inc. an estimated \$460 million to construct. The price tag includes a bumper-car arena with model Checker cabs, laser-tag street fighting, and a lighted ball that drops every midnight outside the "Times Square" piano bar.

Further up the strip, the \$550 million Stratosphere Hotel & Casino has the tallest free-standing observation tower in the U.S. (1,149 feet). Stratosphere Corporation went straight to Hollywood to hire its advertising firm. [CBO Communications](#) is a division of CBO whose clientele include Twentieth Century Fox, Disney Home Video, and Toyota Motor Sales. Prior to the Stratosphere campaign, CBO created movie trailers for Terminator 2 and Die Hard with a Vengeance.

Another casino operator, [Hollywood Casino Corporation](#), makes the casino-Hollywood connection complete. Using movie props such as an elephant from the movie Operation Dumbo Drop, the Tunica, Mississippi, casino offers Adventure Slots. The complete theme casino offers an experience akin to playing slot machines in the middle of Raiders of the Lost Ark. Visitors to

the casino are greeted by a talking stone idol, a runaway mining cart that spills souvenir tokens, and a wrecked airplane in a tree with a skeleton hanging from the cockpit.

Every day is an adventure in new casinos, but special events don't pass unnoticed, either. Those tired of [Christmas](#) in Connecticut may want to try Christmas in Las Vegas or Hanukkah according to Hoyles. Last holiday season, Las Vegas boasted an outdoor skating rink (no mean feat in the middle of [Nevada](#)), twice-daily toy-soldier parades, and according to press releases, "the tallest menorah in Nevada."

But spectacle is only the start of casino marketing in the 1990s. Casinos intent on serving mainstream gamblers must meet them halfway. That's why the Stratosphere features state-of-the-art Super Tush 2000 seats. Many casinos include smoke-free gaming parlors. In St. Louis, The President Casino offers a frequent-players club where gamblers can earn discounted or complimentary meals and merchandise.

Station Casino Kansas City is making a bold play for the least-traditional casino patron: couples with children. The fourth-largest casino in the country is clearly family-friendly, offering a video arcade operated by Sega GameWorks, child care, quick-service food outlets, and an 18-screen cinema. This is also a young adult's casino that serves microbrew beers and Starbucks coffee. It's significant that another new casino--the Niagara Casino in Windsor, Canada--is housed in a former shopping mall.

SLOTS CRANK UP THE PACE

Casinos are doing more to broaden their appeal than just turn up the volume on their decor and non-gaming entertainment. The games themselves are changing. First-time visitors may have seen movie gamblers tackle the likes of craps, baccarat, and blackjack, but they're hesitant to make the plunge themselves. The novice who has been enticed by the elephant from Operation Dumbo Drop is unlikely to pick up the dice at a craps table and face the boxman, stickman, two dealers, and a half dozen bettors wagering the pass line on the come-out roll.

As a result, casinos are turning to faster, simpler, small-wager games. Slot machines are the most popular. Gamblers favor slots because they are easy to understand, fast-paced, and feature higher jackpots than traditional table games. Atlantic City originally allowed casinos to devote no more than 30 percent of their space to slots. The limit has been raised to 90 percent. Slots accounted for \$10.8 billion in gross casino revenue in 1995--twice that of table games (not including revenues from non-casino venues and Indian casinos). Las Vegas alone houses nearly 165,000 slot machines. That's enough for almost one in nine Nevadans.

Slots are a game without strategy, a significant departure from card and dice games where players can play-the odds to curb the house advantage and maximize their winnings. As James F. Smith of Penn State, Abington-Ogontz campus, writes: "One cannot play a ... slot machine well; one can only play more...."

The more people play, the more casinos make. Casinos increased slots 10 percent in 1995 and realized a 17 percent slot profit, according to Christiansen/Cummings. This has been a calculated move in more ways than one; casinos can program the machine's win rate. This doesn't mean slots are a losing gamble, however. Many casinos base their draw on "loose" slots--ones that pay back at a "better" rate. But as gambling writer Frank Scoblete says, the only way to really beat a slot machine is with a sledge hammer.

Some manufacturers of slot machines are upping the entertainment value by becoming more elaborate. A dot-matrix animated pig entertains the player in Piggy Bankin' produced by WMS Gaming, Inc. When the piggy bank is full of coins, the player receives a bonus. Acres Gaming developed Hurricane Zone--a bank of slots below a 35-foot-long fiberglass cloud. When thunder and lightning strike each quarter hour, the payoff increases on the machines below.

With an eye toward an upcoming generation of casino gamblers, Casino Data Systems is developing a slot game called Gold Fever. The slot features an 18-minute movie that provides additional entertainment unrelated to the slot action. When players hit a special gold nugget in the course of slot action, the film changes to a ride down a gold mine shaft for a bonus prize. The company is also developing computer-animated slots that make a more direct link between video games and gambling devices. It doesn't have just the Nintendo generation in mind, either. The company thinks baby boomers want more entertainment value for their token.

Older slot players can be disenchanted with new machines, though. The manufacturer that dominates the market is paying attention to these mature customers. International Game Technology chairman Chuck Mathewson says his company has plenty of new technology, but will not rush it onto the casino floor before players are receptive to new slot games. Hans Kloss, president and COO of Bally Gaming International, Inc., says he doubts that slot gamblers want to play "in a kids' arcade."

BYE BYE, BLACKJACK?

The increase in slot machines has meant a decrease in table games, if only because of the finite space in a casino. But table games, predicted by some to go the way of the dinosaur several years ago, have not been swept aside yet. In fact, Dave Knapp, who oversees new games at Harrah's Las Vegas, confidently says that traditional casino games are here to stay. Knapp believes that younger players will graduate to table games such as craps or roulette exactly because these games offer a new experience. Harrah's Las Vegas does not tailor new table games to a player's generation, but to the player's level of experience. Because new players may be too intimidated to sit down at a blackjack or poker table, Knapp offers games that are easy to learn and simple to play.

Thus, gamblers at Harrah's Las Vegas can play Casino War. The house deals a card to each player and to itself. If a player has a higher card than the house, the player wins. The friendliest feature in a game such as this, Knapp says, is that the player can't make a mistake. The novice gambler needn't worry that a bad play on his or her part will negatively affect the hands of other players. "You get that sometimes," Knapp says of more complex games. "A table will groan if one player makes a bad play."

Getting players to sit down at a table also introduces them to the sociability and excitement of group games, says Knapp. Harrah's offers Party Pits to entice younger crowds. These are separate table areas where the action is a little more casual. Dealers are less formal, and the music is rock and roll.

Casinos want to bring in new customers, but they don't want to risk alienating their experienced patrons. Some new games are variations of traditional card games, altered to increase the pace and heighten the jackpot. For example, Spanish 21 removes cards from the deck and adds side bets and wild cards to traditional blackjack.

FUTURE OF THE FLUTTER

As the Southern Star docks at the end of its Illinois river cruise, a large crowd files off and another large crowd waits to board. Despite the crowds, the stakes are high for casinos. An average slot machine costs \$5,000 to \$6,000, and the new Station Casino Kansas City opened its doors boasting 3,000 of them. Talking stone idols, Super Tush 2000 seats, and Hollywood advertising firms are also not inexpensive, nor simple to finance. Nine months after opening its doors, the Stratosphere in Las Vegas filed for bankruptcy protection. Days before, Donald Trump had sold a 51 percent interest in his Trump Castle in Atlantic City to raise cash for expansion. While these dramas unfolded, the Hilton Hotels Corp. initiated a \$10.5 billion bid to become the largest hotel and casino operator in the world by taking over ITT Corp. ITT owns Caesars casinos and Sheraton Hotels.

Increasing competition means declining market share. At the same time that casino owners are building bigger and brighter to keep market share, others are seeking to consolidate the market. Less than eight years after the current casino boom began, many in the industry are warning against overbuilding, especially in hotels. As one analyst puts it, Las Vegas won't know how many hotel rooms are too many until it builds the hotel that doesn't fill.

Cities that depend on gambling taxes are also obsessed with maintaining their casinos' market share. If casinos become widespread enough to saturate local markets, local governments can expect to draw fewer tourist dollars and tax revenues from residents of other places. Cities must also rely on casinos to keep the customers coming back. If the public's enthusiasm for casino gaming peaks as it has seemingly done with maturing state lotteries, even the locals won't be gambling as much.

Controversy over casinos remains high. Most Americans seem to consider gambling a permissible indulgence. Yet many remain unconvinced that casinos can solve more problems than they create. Despite all the familiar economic promises, a legislative measure that would have allowed private casinos outside of Indian reservations in New York State failed earlier this year.

States and cities contemplating the legalization of casino gambling will be keeping a close eye on those who are now trying to get their piece of the Vegas action. If casinos can responsibly handle concerns about problem gambling and deliver on the promise of local prosperity, public opinion could very well remain on the side of Lady Luck. But it's not a sure bet.

TAKING IT FURTHER

Christiansen/Cummings Associates, Inc. collects and compiles gaming industry statistics that appear in *International Gaming & Wagering Business*; contact the magazine at BMT Publications, Inc., in New York City; telephone (212) 594-4120. The Gallup Organization and Roper Starch Worldwide Inc. offer trend information about people's attitudes and behavior regarding gambling issues. Contact The Gallup Poll Monthly in Princeton, New Jersey; telephone (609) 924-9600; and the Roper Reports staff in New York City at (212) 599-0700. Bill Eadington is director of the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada in Reno; telephone (702) 784-6887.

THE TAKE

(consumer spending in billions of dollars on legalized forms of gambling, and market share, 1995; percent change in spending, 1982-95)

	spending	market share	percent change in spending 1982-95
Total spending	\$44.4	\$1.0	326%
Casinos	\$18.0	\$0.4	329%
NV/NJ slot machines	7.1	16.0	255
NV/NJ table games	3.9	8.7	75
Riverboats	4.7	10.5	n/a
Non-casino devices	1.4	3.2	n/a
Lotteries	15.2	34.3	602
Indian reservations	4.0	9.1	n/a
Parimutuels	3.8	8.4	34
Charitable games(*)	2.5	3.4	111
Card rooms	0.8	1.7	1,425

note: does not sum to total due to rounding

(*) Includes charitable bingo.

Source: Christiansen/Cummings Associates, Inc.

Casinos and lotteries capture 85 cents of each gambling dollar.

STATES OF CHANCE

(top states for consumer spending on gambling, in billions of dollars, and percent of total spent on casino games and lotteries, 1995)

	total	casinos and devices(*)	lotteries
All states	\$39.9	\$0.4	\$0.4

Nevada	\$7.4	\$1.0	--
New Jersey	4.8	78.2	15.9%
California	2.6	--	44.5
New York	2.3	--	70.6
Illinois	2.3	51.3	33.3
Louisiana	1.9	84.6	8.2
Mississippi	1.8	98.1	--
Florida	1.6	--	71.1
Texas	1.4	--	80.9
Ohio	1.3	--	78.8

(*) Does not include games on oceangoing ships or Indian reservations.

Source: Christiansen/Cummings Associates, Inc.

Sixty-eight percent of gambling dollars are spent in ten states.