

12-2013

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What Do They Do in Las Vegas Strip Casinos?

An Analysis of the Attitudes and Behaviors of Gen Y Casino Customers

by

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Bachelor of Science in Gaming Management
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Fall 2009

A professional paper submitted in partial fulfillment
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Master of Science Hotel Administration
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Graduate College
University of Nevada, Las Vegas
December 2013
Chair: Dr. Bo. Bernhard

PART ONE

Introduction

Totaling over 63 million, Generation Y, also known as the Millennial Generation, is the new generation of casino customers (U.S. Department of Commerce, 2011). While there are no specific dates to mark its beginning and ending, individuals born between 1982 and 1994 are generally considered as Millennials or Gen Yers. A survey conducted by the American Gaming Association (2013) revealed that Gen Y casino customers made up the highest casino visitation rate with 39% having visited a casino in the previous year; however, it is also shown that Gen Yers spends more on non-gaming departments and have less intention to gamble during their visit. Apparently, this emerging gaming segment noticeably changed the composition of customers, or the casino demographics, of the gaming industry. As gaming has been the industry's top revenue driver, it is critical for casino executives to understand the reasons for the Gen Yers' decreased interest in gaming by studying the habits and behaviors of this particular segment. In this study, research on the common traits of Gen Yers, their attitudes and perceptions towards gaming, and factors affecting their decision on gaming activities will be reviewed. Furthermore, this study focuses in the Las Vegas gaming industry, as markets in different regions are too dynamic to be generalized as a whole. After reviewing their gaming behavior, this paper will recommend to the gaming executives strategies that are more appropriate and effective for this customer segment.

Purpose

The purpose of this study is to examine the attitudes and behaviors of Gen Y casino customers as well as the determinants of their decision on gaming activities, to provide a better understanding of this evolving casino segment. By reviewing surveys and reports, this study may

also challenge the widely accepted notion that Gen Yers do not have as much spending power as other generations and provide a snapshot of their spending patterns during their visit in a casino. Management can adjust marketing campaigns and relocate resources to better cater to this segment according to their preferences in order to maximize profits.

Statement of Objective

Together with casino customers' spending patterns and behaviors, the dynamics and demographics of the gaming industry have changed dramatically over the past years. Traditional operating strategies, such as one that considers non-gaming amenities as a loss leader to bring in gaming revenue, are no longer applicable to the new generation gamers. In the gaming industry, loss leaders refer to departments that operate at a loss in the hopes of attracting foot traffic, which in turns creates revenue in other departments (Lucas & Kilby, 2008). Considering the potential revenue gain from Gen Y customers, casino executives need to better understand these customers and their likings, in order to review and develop existing and new strategies that are specifically tailored to them.

Justifications

A study from Las Vegas Convention and Visitors Authority (LVCVA, 2012) shows that the number of Las Vegas tourists who had gambled in 2012 has continuously dropped from 2008. Also, up from 2008, 66% of the first-time visitors visited primarily for vacation or pleasure and only 1% were for gambling in 2012. One reason for this phenomenon is that first-time visitors are typically young adults that fall into the Gen Y category, in which they have more interests in nightclub, shopping and entertainment activities other than in gaming. While casinos executives are aware of this trend as well as the shift in the gaming revenue structure, some of them fail to

adjust their operating strategies to capture this market or to adapt to the trend of the decreasing interest of gambling among Generation Y casino customers.

This study review the revenue patterns in the gaming industry and brings awareness among casino executives regarding the importance to accommodate the spending habits of Gen Y customers, as it is not only important to know how much they spend, but also how they spend it and if they would come back to spend more. By understanding Gen Yers' spending preferences and applying corresponding marketing strategies, casino executives can encourage higher spending in areas with greater profit margin in the casino such as slots, instead of lower profit margin areas such as nightclubs. Modifying marketing strategies can likewise create opportunities for future businesses the same way change in the public's negative perception of casino from gambling to gaming expanded the market.

Constraints

Although this study is carefully prepared, it is subject to certain constraints. First, external factors such as economy were not taken into consideration when examining the intentions of first-time casino customers. For instance, the response from the interviewers could be different during good and bad times of economy. Also, even though research on the common traits and characteristics of Gen Yers will be reviewed, it would be inappropriate to generalize all Gen Yers with the same traits and characteristics as indicated. Further, the analysis of Gen Yers' attitudes and perceptions towards gaming rests on the assumption that they act and feel the same between life and gambling. While it is very likely to be a comparable reference, their attitudes and perceptions towards life might be different than that towards gambling. Lastly, the focus of this study is the Las Vegas gaming industry and it might not be applicable to other gaming industries in the United States.

PART TWO

Introduction

Gaming in the US

Gambling is one of the oldest forms of entertainment in the United States. Casinos and gaming market in the United States is a \$98.4 billion market that encompasses "all forms of betting and gaming" including table games, slot machines, lotteries, and sports betting (Marketline, 2012). Gaming is also an integral part of the regular American life: seven out of ten American adults participated in gaming activities by placing some sort of wager in 2012 according to the American Gaming Association (AGA, 2013b).

Gaming is present in 48 states in the United States, as every state except Utah and Hawaii has some form of legalized gaming. Gaming not only provides entertainment for the local residents and tourists, but it also creates gaming tax revenue streams for the local economy and government. In 2012, most of the gaming revenue occurred in the casinos, as they generated 38% (\$37.34 billion) of the total wagers (AGA, 2013b) and thus became the largest segment of casino and gaming sector in the United States. Casinos contributed \$8.6 billion of income in the form of gaming tax to the 23 states that allow commercial casinos operations. In Las Vegas, the top casino market in the U.S. in the worth of \$6.2 billion, the casinos paid the local government \$868.6 million in commercial casino tax. The scope of this paper will be within the Las Vegas market (AGA, 2012).

Las Vegas Gaming Industry

Before the passage of the Assembly Bill 98, better known as the Wide Open Gambling Bill, in 1931, evolving changes in social tolerance, politics, and cultural acceptance of gaming

led to the constant back and forth decision on the legalization of gaming in Nevada (Lucas, 2011).

Since gaming became legalized, the gaming industry has experienced some transformations and evolutions. From the Bull Pen Casinos where inmates operated gambling tables and gambled, to the Harold's Club's innovative practices of women dealers and billboard advertising, to the Moulin Rouge being the first Las Vegas casino to permit blacks, to Caesars Palace pioneering integrated resort operation, visionary businessmen foresaw changes in the gaming industry and grabbed new opportunities by the horns (Lucas, 2011).

Las Vegas today is not simply just a city with legalized gambling. Casinos in Las Vegas are more than just casinos but “integrated resorts” – gaming resorts that feature other nongaming amenities (Lucas, 2011). With some of the largest and finest integrated resorts located on prime Las Vegas Strip, Las Vegas now is a world-renowned tourist destination that attracts almost 40 million visitors in 2012 (Las Vegas Convention and Visitors Authority, 2012). Las Vegas also works hard to separate itself from the competition. For instance, the notorious slogan of “What happens in Vegas, stays in Vegas” created by R&R Partners in 2001 (Katsilometes, 2011) and the relatively short waiting period for divorce are both ways Las Vegas create the aura and image of “Sin City” to attract more visitors and revenue (Lucas, 2011). As stated in the Nevada Divorce Guidelines (1981), the waiting period for a divorce to be granted is only 60 days, which is a relatively short period of time compared to that of the other states. In order to meet the Nevada residency requirement, one of the spouses must stay in Nevada for a minimum of 6 weeks. For this reason, spouses staying in Las Vegas during the residency period could bring in extra gaming revenue to the industry. Noticeably, Las Vegas is putting in effort on all aspects to attract all types of casino customers and maintain its position as the top gaming destination in the world.

Nevada Gaming Statistics

According to the Nevada Departmental Revenue Report from 1984 - 2012 prepared by the Center for Gaming Research at UNLV (UNLV, 2012), Nevada casino revenue can be broken down into 5 categories: gaming, rooms, food, beverage, and other. Gaming has traditionally remained the primary breadwinner for casinos. During the past 25 years, however, the makeup of casino's revenue composition has seen a steady trend of change where gaming is becoming smaller, albeit still the biggest, source of income for casinos. This phenomenon was even more noticeable for properties on the Las Vegas Strip where fine dining restaurants, big ticket entertainments, and high end shopping agglomerated.

From 1984 to 2012, casino revenue in Nevada had experienced more than a five-fold increase from \$4.74 billion to \$22.98 billion. Although each revenue category had grown in terms of raw revenue, their respective rates of growth had diverged over the years. Revenue from gaming had remained the primary income source, but its impact on a casino's top line had decreased significantly. Comprising north of 60% of the total revenue in 1984, gaming revenue is now slightly less than 45% of the total revenue. The decline in the weight of gaming revenue in relation to the total revenue can be explained through the growth of other categories. Since 1984, gaming revenue had been growing at 5.5% on average annually - the slowest average annual growth rate. Food and beverage revenues had been growing at 7.8% and 6.5% annually, respectively, while the growth rate of rooms (9.6%) and other revenue (10.3%) dwarfed that of gaming revenue. Gaming revenue had consistently been the slowest-growing category in the last 25 years, as it has only outpaced the total revenue growth rate 5 times in the last 25 years. Room revenue and other revenue both almost doubled their revenue shares, with rooms revenue was

20.55% in 2012 compared to 11.92% twenty-five years ago and other revenue having a 12.52% stake compared to 6.23% (Schwartz, 2012).

Singling out Las Vegas Strip casinos can show similar development in terms of revenue composition, and the degree of change is more pronounced. Total revenue for Strip casinos had grown at an 8.79% average. However, gaming revenue for Strip casinos has increased at only 6.67% over the last 25 years. This growth rate was far behind that of the other four income categories. Other revenue (13.24%) and Rooms revenue (11.02%) both had growth rate almost twice as high as gaming's, while Food revenue (10.21%) and Beverage revenue (8.57%) were not far behind. In the last 25 years, growth rate of gaming revenue had never eclipse the growth rate of total revenue, showing the increasing performance of the other categories. While Strip casinos generate same proportions of revenue from Food and Beverage as their counterparts off the Strip, Rooms (25.30% vs. 20.55%) and other (15.02% vs. 12.52%) revenues account for bigger portion of revenue for the strip casinos (Schwartz, 2012).

Tourism Statistics

In addition to gaming, Las Vegas casinos offer their customers other amenities such as lodging, dining, shopping, entertainments and nightclubs. The annual Las Vegas Visitor Profile Study of 2012 reviews that customers had been spending less in gaming departments and switched their spending budget towards non-gaming departments in the past few years (LVCVA, 2012). Besides spending habits, tourist's demographics, spending per trip and reasons for travel had been changing as well. Among all the elements that describe the Las Vegas casino visitors, only characteristics and behaviors of visitors that are relevant to the objectives of this study will be reviewed.

Table 1 shows that the proportion of visitors that age 21 – 39 and falls in the Gen Y category in 2012 was 43% and was up 13% from the previous year. Alternatively, visitors that were 40 or older composited 58% of the population and was down 12% from 2011. In addition, the average age of Las Vegas tourists in 2012 was 44.8, which was down significantly from 49 in 2011 and 56.6 in 2008. The proportion of visitors who were retired was also decreased by 24% from 25% to 19%. The statistics showed that Las Vegas visitors are generally getting younger and more of them tend to fall in the Gen Y category as shown in the trend (LVCVA, 2012).

Table 1
Las Vegas Tourists Demographics 2008 – 2012

	2008	2009	2010	2011	2012
Proportion of visitors who were 40 years old or older	0.76	0.72	0.71	0.70	0.58
Proportion of visitors who were retired	0.28	0.28	0.27	0.25	0.19
Age from 21 - 29	0.10	0.11	0.10	0.12	0.19
Age from 30 - 39	0.15	0.16	0.19	0.18	0.24
Age from 40 - 49	0.21	0.21	0.23	0.22	0.21
Age from 50 - 59	0.22	0.19	0.19	0.19	0.16
Age from 60 - 64	0.11	0.10	0.09	0.09	0.06
65 or older	0.22	0.20	0.20	0.20	0.15
Average age	56.6	50.0	49.2	49.0	44.8

Note. Adapted from Las Vegas Convention and Visitors Authority 2012

While visitors have increased spending on food and drink, shopping and shows, they gradually decreased their spending on gaming from 2008 to 2011, with a slight uptick in 2012 at \$484.70. Overall, people are underfunding their gaming budget by 9.1% compared to 2008 (See table 2). This phenomenon of gaming losing its luster can be observed in all measurements of interest as well: people are less likely to visit for gaming, they are less likely to participate in gaming while in town, and even when they do gamble they do not spend as much time as they used to. The decline of interest in gaming is quite stark once the numbers are put in perspective. From 2008 to 2012, visits with gaming as primary reasons decreased 38.5%, the proportion of

people who gambled during their trip decreased 15.3%, and the average amount of time they spent gambling went down 21.2% (LVCVA, 2012).

Table 2
Las Vegas Tourists Gaming Behavior and Budgets 2008 - 2012

	2008	2009	2010	2011	2012
Proportion of visitors whose primary purpose for current trip was to gamble	0.13	0.13	0.09	0.07	0.08
Proportion who gambled while visiting Las Vegas	0.85	0.83	0.80	0.77	0.72
Proportion who said they would be “more likely” to visit Las Vegas even with more places to gamble outside Las Vegas	0.38	0.39	0.35	0.27	0.25
Average number of hours per day spent gambling (among those who gambled)	3.3	3.2	2.9	2.9	2.6
Average trip gambling budget (among those who gambled)	\$531.98	\$481.57	\$466.20	\$447.63	\$484.70

Note. Adapted from Las Vegas Convention and Visitors Authority 2012

Generation Y

Generation Y is the new, emerging segment of customers in gaming, and it is also growing to be the biggest segment of the population. Each generation develops its own values and attitudes that are different from their predecessors (Smola & Sutton, 2002). Even though research and studies on gambling problems with young adults have been many, few have examined how the younger generation approaches gaming as a leisure activity instead of addiction. The aforementioned trend of declining gaming revenue and participation can be a result of how the new generation interacts with the gaming industry. Understanding how Gen Y thinks and behaves can help the casinos tailor their product and services better, and adapt to the changing market atmosphere quicker.

Gen Yers are the 63 million Americans who are in their 20’s and early 30’s and are the generation that follows Generation X. They are the polar opposite of their precursors, whereas

Gen X's tend to be more hardworking, self-efficient, and independent because they were born during political unrest and economic decline, Gen Y's were born during times of economic prosperity thus are more worry-free and more pampered (Goldgehn, 2004). They are better educated than their precursors, but they still depend on their parents during times of crisis: according to 2010 Census, 5.9 million Americans between ages 25 and 34 lived with their parents, a 25% increase from before the late 2007 economic recession (U.S. Department of Commerce, 2011).

One word sums up best Gen Y's attitude towards money: lifestyle. Unlike their more frugal parents, Gen Y is very willing to spend more money to improve their lifestyle. They appreciate the finer things in life and are more willing to pay for luxury (Goldgehn, 2004). This is a good sign for the industry as Kim and Prideaux (2005) stated that casino gaming primarily influences people's decision in leisure. In a Business Insight report, American Express revealed that between 2009 and 2011, Canadian Gen Y's are spending more and more money on luxury item markets such as fashion, travel, and fine dining (Goldgehn, 2004). However, despite their willingness to spend on leisure and luxury, they are not spending as much on gaming as their parents did, which shows that an evident gap exists between what the gaming industry is offering and what Gen Y seeks. Understanding Gen Y's attitude and beliefs will be the key to solve this conundrum.

Gen Y is an active bunch. They are sensitive to change and not considered loyal to any brand or company. They seek excitement and engagement, and do not like to sit still. They want to connect with their social network at all time and majority of them rely on their cell phones to do this. As a result, cell phone has become a main source for entertainment for them (Johnson Controls, 2010). They are very comfortable with technology since they grow in the

technologically advancing Internet age. They want everything to be fast and instant as they expect the efficiency of the digital world (Solomon, 2013). However, despite their expectation of speed and technological efficiency, Gen Y still crave for the human touch and prefer authentic, face-to-face interaction (Immonrdino-Yang, Christodoulou, Schnall & Singh, 2012). What gets their attention will be up to them, and they are very choosy with what they spend their time energy and time on. They are less likely to devote effort and time into low involvement decisions such as choosing the electricity or homeowner insurance supplier, but they will invest a lot in high involvement decisions (Parment, 2011). In other words, getting Gen Y's attention and participation can be challenging, but once they are engaged they are a customer segment that has the means and desire to spend money.

Motivation for Gambling

Understating the motivation for gambling helps identify Gen Yer's motivation in gambling and the possible reasons for their decreased intention in gaming. While it was suggested that people gamble for superficial entertainment, satisfying greed and materialism, hope of becoming wealthy without effort, misperception of chance of winning, addiction and advertisement from gaming companies (Bernhard, 2007; Dunkley, 1985); Binde (2013) suggested a motivational model of gambling participation comprises five motivational dimensions that explains gaming motivation and involvement. The five dimensions are the dream of hitting the jackpot, social rewards, chance of winning, intellectual challenge and mood change with the chance of winning being the most essential motive to gambling as the chance of winning is the core of gambling as it is the only characteristic that is found in all games.

- Dream of hitting the jackpot: the capability to transform one's life to a better stage

- Social reward: the social-cultural environment for communion, competition and ostentation
- Intellectual challenge: the chance of playing the games with developed knowledge and skills
- Mood change: the power to change the emotions and mood of the players
- Chance of winning: the perception of the chance of receiving more than what is given

Gen Y and Gaming

Young adults from ages 18 to 25 are in a state of “heightened risk-taking, identity exploration, instability, self-focus, and self-exploration” (Arnett, 2004). Lottery, with its embedded message of winning huge amount of money with little to no effort, strikes a chord with these young adults because of their willingness in taking risk for potential payoff. Even though young adults spend less money in the casinos, lottery is the most popular form of gaming activity as 72% of the young adult casino visitors played lottery besides going to casinos (AGA, 2013b).

Satisfaction and loyalty of casino visitors are influenced by mixed attributes (Johnson, 2002; Lam, 2005; Lucas, 2003; Palmer & Mahoney, 2005; Shoemaker & Zemke, 2005). Gen Y, with the lowest sense of loyalty among all generations, creates a dilemma for the casinos. Despite the high expenses and efforts associated with marketing and loyalty programs, they are proven to have minimal effect on gaming volume and profit (Lucas, 2004; Lucas 2011, Lucas & Bowen, 2002; Lucas, Dunn & Singh, 2005). These efforts might have even less effectiveness on the Gen Y casino customers as they are more fickle, harder to predict, and definitely different from other generations as discussed above. Finding new ways to market and cater to them will be important in retaining and growing this customer segment.

AGA (2013b) shines light on what differentiates Gen Y: even though 51% of these young adults stated that slot machines and video poker are their favorite casino games, this number is much lower than that of the overall casino visitors (61%). In other words, slot machines and video poker are becoming less popular among Gen Y customers among all other casino customers. On the other hand, young adults from Gen Y are more likely to appreciate Blackjack than the average casino customer, as 24% of the Gen Y ranked the game as their second favorite compared to 19% of the average customer. Gen Y like to socialize and they enjoy challenges, thus social reward and intellectual challenge are the key attributes to motivate them to gamble on table games. Blackjack is more popular among Gen Y because it is considered a game of skills and involves more social interaction between players whereas slot machines focus on personal space. Gen Y's preference of table games is going to be a puzzle waiting for casino executives to solve, because slot machines often project a profit margin 60% or greater while table games commonly yield single digit (Lucas, 2011). Gen Y's preference for table games is a developing trend that can significantly affect casino's profit.

The decline of Gen Y's interest in gaming can be partly attributed to their better understanding of gaming. They are better educated – 66% of them have completed college or post-graduate degrees (AGA, 2013b) – and with the modern rise of Internet availability, they have more access to information of gaming such as the odds. They are visiting the casinos less frequently – 51% of them only visit the casinos once or twice a year – and more than half (57%) of them spend less than \$100 on gambling. They are, however, still spending money. The money is just being spent elsewhere: 76% of Gen Y stated that they ate at a fine dining restaurant, 65% visited a club, and 62% saw a show, concert or other live entertainment during their casino visit in 2012 (AGA, 2013b). Even with the perceived chance of winning money from gambling, these

numbers still show that Gen Y believe they get a better value of return from other activities than they would from gaming. Socially, gaming is becoming unattractive to Gen Y. Report shows a decrease in the population from 54% in 2004 to 47% in 2013 on the proportion of young adult casino customers who think that gaming is “acceptable for you and others”, and an increase from 27% to 38% who believe it’s “acceptable for others but not you personally” (AGA, 2013b). Although the general acceptability of gaming in the US has increased (81% in 2004 and 84% in 2013), the personal acceptability of gaming has gone down. With the self-conscious Gen Y, how they believe other people perceive them will affect their motivation to gamble.

Conclusion

Gaming remains the lifeblood of the Las Vegas economy. However, as Gen Y moves to the forefront and becomes the largest customer segment, casinos will need to adapt to their preference and gradually adjust their strategies as well. Reports showed that the revenue will eventually shift from predominantly gaming, and non-gaming departments will have more prominent roles in revenue generation. Understanding Gen Y will be crucial in helping casino executives devise marketing plans that tailors to Gen Y. Focusing the efforts on the wrong areas not only wastes money and resources, but can potentially drive off customers. Just like how successful casinos in the past innovated and adapted during times of change, gaming executives today also needs to plan ahead and adjust their strategy in order to stay relevant. The last part of this paper will recommend strategies that executives can adapt to stimulate Gen Yers’ interest in gaming. These strategies are developed based on the previous findings that Gen Yers are going to the casino less, are gambling less when they are in the casinos and are spending elsewhere when they are in the casinos.

PART THREE

Introduction

Gen Y is the fastest emerging segment of casino customers. Reports discussed in the previous section, however, has revealed developing trends that must be alarming to gaming executives: Gen Y customers visit the casino less, gamble less, spend more of their money in other areas, and have more interest in the lower profit margin table games than they do in the higher profit margin slot machines. The gaming industry will need to adapt to these developments and formulate marketing strategies tailored for this new generation of customers. Understanding this new segment of customers is critical as their attitudes towards gaming and their gaming behaviors impact the bottom line profits of casino's main profit center.

The purpose of this paper is to examine Gen Yers' gaming behavior and attitudes, and this section will offer recommendations on how to market and cater to the Gen Y customers in order to rise their overall interesting in gaming, allocate marketing costs more efficiently, and raise overall gaming revenue.

Increase Gen Yers' Involvements in the Casino

Develop Mobile Gambling

Technology is an integral part of people's everyday life now. Mobile and online gambling has emerged as a profitable business in recent years. Holden (2013) pointed out that global annual mobile wager through mobile handsets and tablets will reach \$100 billion by 2017, compared to just under \$20 billion in 2011.

According to the American Gaming Association online gambling is on path to become a sizable market, which is estimated to reach \$4-6 billion just in USA (American Gaming Association, 2012). People are looking for new ways to gamble with the use of technology as

oppose to traditional visit to the casinos. The growing revenue in online and mobile gaming signifies its importance in the gaming industry and deserves attention. Gen Yers' reliance on technology contributes to the growth of online and mobile gambling, as their comfort level with technology allows them to adapt to the change quicker and easier. Needless to say, the online and mobile market has huge potential and many Las Vegas Strip casinos are already starting to explore this new market.

Most casinos have developed their own proprietary downloadable apps and some even have on-site gambling app to let customer gamble on the mobile device while they are on site, such as Hard Rock and Palace Station. These apps allow players to gamble with their device while they are not on the casino floor – for examples, they can now gamble while they are waiting for their dinner reservation or sunbathing at the pool. These on-site gaming apps and devices are still in the infant stage of development, however, and popularity has not caught on. The redundancy and practicality of on-site mobile gaming is still up to debate, considering that the players are already on site therefore can theoretically just visit the casino floor.

As far as online gambling, legal or illegal, most sites are operated by offshore companies rather than Las Vegas strip casinos because of the law. Times are changing, however, and laws can be changed as well. In United Kingdom, people over the age of 18 are now allowed to gamble with real money on Facebook (Graziano, 2012). Digitizing business operation is a trend that does not exclude gaming. If casinos do not catch up to the trend, they will be left behind in the dust. The casinos can run online gambling sites to capture this new segment that they otherwise could not capture. By integrating the existing player rewards program at the casino with the online web site, Las Vegas casinos can have a distinct advantage to attract players to play on their sites rather than their online-only counterparts. Under such system, players can still

earn points while playing on the web site, and redeem them when they visit Las Vegas. The profit margin for online gambling is lower due to scalability and economies of scale, and this additional margin allows the casino to offer more incentive than they could under traditional operation. Considering Gen Yers' tendency to bargain shop, this type of incentive-driven marketing can still create extra profit for the casinos.

Increase Gen Yers' Involvements in Slots

Develop a Game Mix for Gen Y

Gen Yers value personal space, but at the same time they like to be sociable and interacting with each other. Although 51% of the Gen Yers still rank slots and video poker as their favorite games and 24% rank blackjack as the second favorite (AGA, 2013b), the difference is getting smaller as more and more of them are shifting their preference to table games and the population that like slots are decreasing. This trend should be of great concern to gaming executives, as slots generally have a profit margin of 60% while table games yield a single digit profit margin percentage (Lucas & Kilby, 2011). Apparently, it is important to pull them back to slots when young adults are willing to spare their spending budget, especially when they gamble less now. Apparently, it is important to pull them back to slots when young adults are willing to spare their spending budget, especially when they gamble less now.

Traditional types of slot machines include multipliers, line games, buy-a-pay and hybrid forms (Lucas & Kilby, 2011). With the advanced technology and increasing demand from players in the varieties of different types of slot machines, slot machines that feature famous brand or TV shows are not uncommon to be found on the Las Vegas Strip. For instance, the eBay slot machines are interactive slot machines that create a community feel and create person-to-person interactions because when one player enters into a bonus round, all the other participants also

share it, creating a group environment where everyone is involved. The Deal or No Dealer is another slot machine that is different than traditional slots. These machines give players the same experience as a live contestant of the TV show, through slot machines, and it also give players the perception that they are in control of the game and their skills level in decision making affects the outcome of the game. Non-traditional slot machines like these are more appealing to Gen Yers. Compared to other generations, Gen Yers like to be in control and prefer to use their skills while gambling instead of just relying on luck. Installing more machines of this nature might attract more Gen Yers.

The inclination to be in control, or at least the perception of being in control, explains Gen Y's increasing preference of table games. In fact, game makers today are putting more focus on creating slots that simulate table games. For instance, there are now Blackjack and Roulette machines that have no dealers and essentially run as slot machines, but simulate table games. These machines attract Gen Y customers because they are table games, even though they are in fact slot machines. Having the right game mix can help gaming executives bring in the right composition of customers.

Incorporate Technology on the Slot Floor

Generation Y is tech savvy. They are comfortable with technology and prefer to use it at all aspects of life. Cell phone especially has become an everyday device that is omnipresent in their lives. Gaming executives should look to integrate the use of cell phone into their gaming experience, which would enhance the overall gaming experience for the players. For instance, casinos can create downloadable apps for customers to receive promotion notifications or updates for the newest games on their phones.

Server-based slot machines can enhance service delivery and overall guest experience by securely transfer data between an individual game to a server, which then transfer the data to the casino database for further analysis instantly (Lucas & Kilby, 2011). Having a fully-integrated technology can help customers spend maximum amount of time possible in front of a slot machine. For example, if a slot machine has the capability to notify a player that his table for dinner reservation or his valet card is ready, this can extend the amount of time the player plays because he can now stay at the slot machine until the last moment. Another way to help maximizing the time players spend in front of a machine is to develop a phone-based app that shows the detailed layout of the casino to highlight where each game is located and can help customers navigate the confusing casino floor. Gen Y expect to receive useful information that they want quickly and accurately, developing the technological capability to provide them this type of service will be the new trend of the industry.

In Las Vegas, only the newly opened CityCenter project in 2009 has large-scale implementation of server-based machines (Lucas & Kilby, 2011), therefore it is still a relatively new concept to install large-scale server-based machines and casinos doing that would enjoy the first-mover advantages. However, due to the high costs and other potential disadvantages of installing server-based slot machines such as the perception that server-based machines yields higher par and the consequences of power outages and wiring failures (Lucas & Kilby, 2011), gaming executives need to be very cautious when applying these changes.

Relocating Marketing Expenses

Casinos spend a lot of money in loyalty programs in the hope of attracting and retaining loyal customers. Unfortunately, generation Y are not as loyal as other generations (Johnson Controls, 2010). Maintaining these expensive loyalty program put a dent to the bottom line

profits to the casino, spending money and not retaining the customers is an even bigger problem. While invest in loyalty programs is a widely accepted norm, gaming executives need to review the balance sheet and evaluate the practicality and productivity of these programs. Especially for destination market like the Las Vegas strip where tourists visit three to four times a year, the importance of loyalty program might not be as integral as it would be for local casinos.

Loyal customers are the lifeblood of any business, as they generally cost less to maintain, spread positive word of mouth, spend more than regular customers and they visit more often. The gaming industry has understandably spent a lot of resources in fostering relationships with their customers. However, gaming is unlike all other industries– there will be way more unhappy customers than happy customers as most of the time they will lose money. Blindly focusing on satisfying customers can be expensive and affect a casino's bottom lines. Maintaining regular casino patrons is already expensive and competitive, Gen Y will be a segment even harder to be captured because they are the least loyal of all generations. They are always looking to find the best deal. A loyal customer base is important, but spending too much to the point of bleeding money to obtain customers is not good business. Oftentimes, the sense of loyal comes from participation of incentives or giveaways promotions. However, players often to have several reward memberships with several casinos, and they make their spending decision on who gives them the best offer. Gaming executives need to reduce the investment in less effective strategies such as loyalty programs and incentives, and reallocate those funds to areas like server-based machines that will improve actual profit.

Eliminate or cut incentives on non-gaming departments to draw gaming revenue

Losing money in non-gaming departments in the hope of bringing in gaming revenue is the traditional thought of gaming industry, but it has become outdated and ineffective on Gen

Yers. Research shows that giving incentives away have no significant and positive effect on gaming revenue for general customer anyhow (Lucas, 2004; Lucas 2011, Lucas & Bowen, 2002; Lucas, Dunn & Singh, 2005). These incentives therefore have minimal effect on increasing gaming revenue, so still offering them is counterproductive as Gen Yers actually are willing to spend money on these non-gaming amenities at full price. Gaming executives need to stop offering these incentives aimlessly.

Increase Gaming Revenue

Payback percentage of slot machines in Las Vegas strip ranges from 87% to 94%, depending on the denominations of the game (Gaming Control Board, 2012). In other word, the odds, or par, for these machines range from 6% to 13% normally. With a total slot revenue of \$10.8 billion statewide, \$6.2 billion was created in strip casinos alone (AGA, 2013a). Adjusting the par on these machines, even as little as 1%, creates great impact on the bottom line of Las Vegas slot revenue.

In Las Vegas, casino's marketing message usually centers around having low par on their slot machines to attract customers. This type of marketing is even more prevalent in local casinos where the target customers are the local residents, because of the long held belief that local players can detect a par change and will switch if a casino increases the par. Strip casinos, whose customers are primarily tourists who are more insensitive to the par, do not focus their marketing on the payback percentage as much and have higher pars on their machines than their local counterparts, but they are still cautious about changing their par.

However, Lucas and Singh (2012) shows that players can barely detect the change in par as the number of plays a single player can make is too small a sample size compare to the whole cycle, and a single player will not experience the designed par. In other words, the more plays

are made the closer it would be for the par for a slot machine to reach its designed par, and the player's actual par is different than the slot machines designed par. He also pointed out that for a player to detect a 1 – 2% change in par – would be difficult, but such increase can bring in \$10-20 million additional profit based on 2012's gaming revenue. Raising the par can help gaming executives increase, or at least maintain profit level, since Gen Y gamble and spend less than their predecessors.

Instead of lowering the par in hope of attracting more players, Lucas and Singh (2012) suggested that gaming executives should lower standard deviation of the game to create short-term satisfaction for slot players. He believed that standard deviation has a direct and significant effect to time on device, which is indicative of player's satisfaction. A game with very few but high payout is considered to have high volatility whereas a game with frequent but low payouts is considered to have low volatility. Changing the standard deviation affects the volatility of the game but has minimal effect on the bottom line of casinos, and the payout for both scenarios could be the same. Although players would not be able to detect the change in pars due to their limited bankroll and time to play on a machine, they can detect the change in standard deviation much easier. Changing the standard deviation will provide the player a better experience without compromising the casino's profit. Since the perceived chance of winning is a primary factor that motivates Gen Y to gamble, gaming executives should consider adopting such adjustments to their slot machines.

Conclusion

Las Vegas gaming industry has evolve over time and adapted to social change and competitions. During its prime, Las Vegas was one of the few places that offered gaming as an entertainment. As time went by, however, competition has caught up. Las Vegas is no longer the

only city that offers gaming. To combat the competition, Vegas transformed from a solely gaming destination to integrated resort with all type of amenities including luxurious hotel, world-class dining, nightclubs and high-end retails. This development attracts Gen Y to visit Las Vegas, but also offers them alternative areas to spend their budget than just gaming. Nevertheless, gaming remains the main attraction for Las Vegas's hospitality industry, and gaming executives need to adapt to the change in their customer's preference. Casinos need to adjust to the characteristic and behaviors of their customers in order to stay relevant in the market today, and the ability to not only foresee change but execute to take advantage of these changes can help a company establish competitive advantage. On the industry level, gaming revenue is decreasing in relationship to revenue from other departments as Gen Y spend more of their budget somewhere else, thus innovations that capitalize this customer group will determine the long term growth of the industry.

Recommendations

Gen Y is the upcoming generation of customers and is here to stay. However, people tend to change their behavior and preferences as they age, attributes discussed in this paper will also change over time. Gen Yers might have different desires as they get older, so marketing strategies targeted towards them will need to be adjusted to remain effective as well. Creative marketing that are specifically designed for these customer can help gaming stay relevant in their minds.

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