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## Examining the Effects of Casino Promotions on Gaming Volumes

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### ABSTRACT

*Casino operators employ a variety of promotions such as play incentives, retail gifts and invitational events to stimulate casino visits and gaming volumes. Despite the wide use of promotions, there have been very few studies that assess the effect of casino promotions on gaming. However, concern has grown among researchers and managers regarding the cost effectiveness and profitability of casino promotions. This paper proposes a model for examining the effects of casino promotions on gaming volumes. The proposed model can be used by casino managers to identify promotions that affect gaming volumes and to guide development of successful casino promotions.*

**Keywords:** *casino marketing, promotion, coupons, casino operations, direct mail offers*

### INTRODUCTION

According to statistics from Las Vegas Convention and Visitors Authority, the city of Las Vegas drew more than thirty-six million people in 2009, filling 81.5 percent of the city's hotel rooms (Las Vegas Convention and Visitors Authority, 2009). To attract these visitors, casino operators employ a variety of promotions. Promotions such as coupons and invitational events are commonly offered to stimulate casino visits and short-term gaming volumes (Lucas & Bowen, 2002; Lucas & Kilby, 2008). Despite their wide use, there is not sufficient empirical or theoretical support for the effectiveness of different types of casino promotions in increasing gaming volumes. Additionally, concern has grown regarding the cost effectiveness of casino promotions in stimulating gaming volumes and profits (See Gu, 2002; Gu 2003; Gu, 2007). Hence, the current study was designed to examine the effects of different types of casino promotions on gaming volumes. Casino promotions that will be examined in the current study include slot tournaments, invitational player parties, special events such as boxing matches and concerts, drawings featuring monetary and non-monetary prizes, and coupons offering play credits. This research would contribute valuable empirical evidence regarding the impact of casino promotions on gaming volume to the limited gaming literature on casino marketing. Additionally, casino managers can employ the theoretical model advanced in this study to assess the effectiveness of their casino promotions on gaming volumes. The model will help them identify promotions that are associated with an increase/decrease in gaming volumes and improve the effectiveness of any future promotions.

### LITERATURE REVIEW

Gaming literature contains several studies that addressed promotional and marketing activities in the casino industry (i.e., Lucas, 2004; Lucas & Brewer, 2001; Lucas & Bowen, 2002; Lucas, Dunn, & Singh, 2005; Lucas & Santos, 2003; Yi & Busser, 2008). Casino promotions examined in these studies include direct-mail play incentives for slots, match play coupons for Blackjack table games, slot tournaments, cash drawings, invitational player events, and slot club

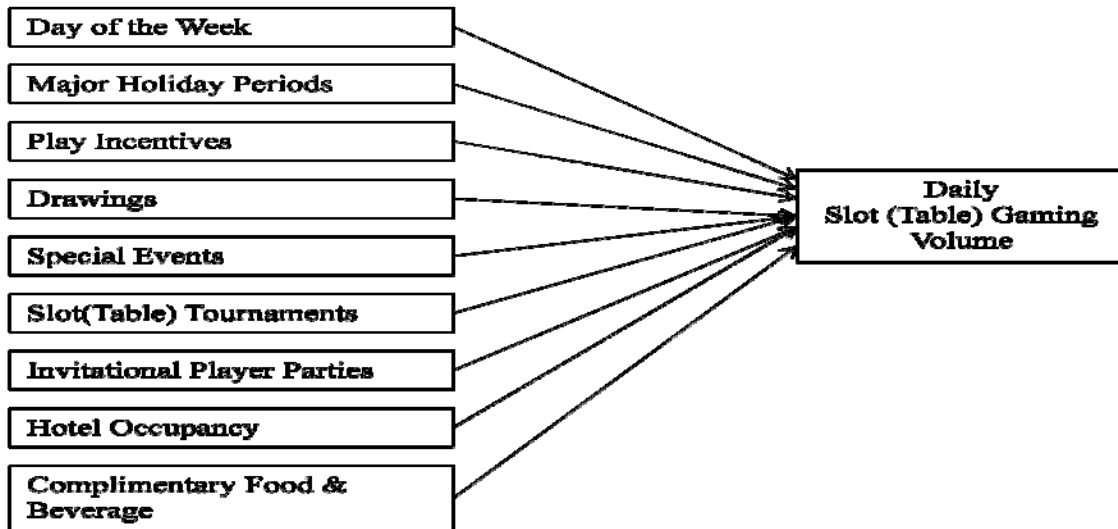
rewards. For example, Lucas and Bowen examined the impact of promotion frequency and prize magnitude on slot gaming volume and reported no significant relationship between promotion frequency and slot gaming volume. This result is consistent with the general findings of marketing literature that frequent promotions could make consumers less willing to buy a product at a regular price, thereby lowering sales increases (Blattberg, Briesch and Fox, 1995).

Other researchers examined the effects of play incentives for slots and produced mixed findings. Lucas and Brewer (2001) and Lucas and Santos (2003) found that coupons for slot play had positive impact on increasing daily slot gaming volumes. Despite the positive slot coupon effect, Lucas and Brewer reported that the incremental slot revenue was not sufficient to cover the coupon cost. Similarly, Lucas (2004) found the negative effect of match-play coupons on the Blackjack gaming volume of a Las Vegas Strip hotel casino. A more recent study by Lucas et al. (2005) also found little to negative effects of free-play coupons on slot gaming volumes. Researchers attributed the failure of casino promotions in increasing gaming volumes to deeper discounts due to competitive pressures, frequent use of promotions and the players' view of play incentives as entitlement (Lucas & Bowen, 2002; Lucas et al., 2005; Lucas & Kilby, 2008; Lucas & Santos, 2003).

While researchers have examined the effects of casino promotions on gaming volumes and to a limited extent, casino patronage, casino promotions were not the focus of the study in most of prior gaming research. In many cases, casino promotions were used as control variables in the models for predicting gaming volumes. Only a few of researchers have assessed the effects of casino promotions on gaming volumes (i.e., Lucas & Bowen, 2002; Lucas et al., 2005). However, their examinations were limited to a relatively few types of casino promotions, and thus lack of comparisons regarding the effects of casino promotions on gaming volumes among different promotions. Hence, the research question proposed in this study is: what are the effects of different promotion types on gaming volumes?

### **Theoretical Model**

Figure 1 presents a conceptual model for understanding the effects of different types of casino promotions on gaming volumes. In addition to the variables representing individual casino promotions, the model contains control variables representing major holidays and different days of the week. These temporal variables have previously been found to influence gaming volumes in most gaming studies (i.e., Lucas, 2004; Lucas & Brewer, 2001; Lucas & Santos, 2003).



**Figure 1**  
**Theoretical model of influences on aggregate daily gaming volumes**

Play incentives refer to the coupons for slot/table game play (i.e., free-play coupons) offered to players. Casino marketers typically use the player's daily theoretical win to determine the incentive amount. Slot tournaments are events where players are invited to compete for cash prizes. Another type of casino event is an invitational party for select high-volume players. Examples of invitational parties include Super Bowl party, New Year's party, and shopping spree. Special events represent concerts and boxing matches. Drawing-based promotions typically feature giveaways such as cash prizes, vacation packages and cars. Players earn the chances to win prizes based on the level of gaming activities during the qualifying period of a drawing promotion. For example, a player who accumulates a certain amount of slot club points within a given time frame receives a ticket that will be entered into a drawing drum for prize drawing. At the end of the promotion period, winning tickets for different levels of prizes are drawn. Along with play incentives, drawings and events, casino operators offer discounted or complimentary awards such as free hotel room nights and meals. Players can also redeem their slot club points for food, rooms and cash back, among others.

### **METHODOLOGY**

This study will examine the data from two destination hotel casinos, one in Las Vegas Strip and the other in Atlantic City. Internal data of daily slot and table gaming volumes and the dates and types of casino promotions will be collected from each property. Time-series multiple regression analysis will be conducted to examine different types of casino promotions after controlling for the effects of other influences on gaming volumes.

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