

Payoff lacking for casino comps

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A study of widely used complimentary offers at Atlantic City casinos finds that common giveaways such as free rooms and dining credits are less profitable – and lead to unhealthy competition among casinos – than alternative comps such as free travel and parking.

The research, co-authored by Seul Ki Lee, an assistant professor at Temple University's School of Tourism and Hospitality Management, analyzed monthly promotional allowance and expenditure data from 11 casinos in the Atlantic City [market](#) from 2008 to 2010. Atlantic City is the second largest [gaming market](#) in the U.S. and the fifth largest in the world.

The most popular complimentary offerings include free rooms, food, beverages, gaming credit and cash. These binding promotions tend to be offered because they force travelers to stay at the offering casino to redeem the promotions. Less-popular travel reimbursement, bus and free parking offers aren't as binding, therefore not directly benefiting the casino that issues them.

But researchers found that casinos could see additional game wagers of \$8.45 from every dollar spent on their own travel and parking promotions compared to only a \$2.51 return on every dollar spent on room, food or beverage giveaways. Furthermore, a significant part of that \$2.51 is accounted for by demand 'taken away' from neighboring casinos, implying that, from the market perspective, it is distant from gain.

Travel and parking promotions could create additional demand through consumer spillover – an \$11.19 return on the dollar – for the entire Atlantic City casino market, which the researchers concluded has "the only economically feasible and positive direct and neighbor effects on gaming demand."

"Serious gamers who come to Atlantic City every weekend will likely still come whether or not they're rewarded with free rooms or dining credits," Lee said. "These offers aren't necessarily creating new demand for the market as a whole, but casino operators are reluctant to pursue promotions that would benefit the entire system rather than them exclusively."

The researchers suggest having a local administration or unbiased third-party, such as a single marketing agency, to coordinate joint-promotion travel and parking programs because an agreement across the market could prevent casinos from offering binding promotions when others choose not to.

"Las Vegas presents itself as a destination rather than respective casinos," Lee said. "In the end, it's very important for Atlantic City to match the efforts of Las Vegas or Macau in China because there is competition not just in the market but among markets. Destination campaigns like the new 'Do AC' would be a good framework into which such marketing programs could be integrated."

Lee co-authored the research article with SooCheong Jang, an associate professor at Purdue University. "Spillover From Complimentary Item-Based [Promotions](#): Evidence from Atlantic City," appeared in the *Journal of Hospitality & Tourism Research*.

Provided by Temple University

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