



Client and Company News for March 2006



## Smoking bans can be a drag on casino revenues

By Paul Girvan  
Managing Director  
The Innovation Group

I smoke.

But, I understand how other people feel who don't want me to do it around them. So, I step outside on the balcony at work, sit out on the patio at home and look for designated smoking areas when I can find them.

What started as an accommodation with ineffective non-smoking sections in airplanes and restaurants has gained momentum until entire buildings have decreed themselves to be smoke-free and entire communities are considering it. I've seen the trend go from a few non-smoking tables in restaurants to totally non-smoking restaurants. It used to be that the non-smoking area that was the small out-of-the-way section. Now it's the smoking area that is the smaller.



While health proponents have always had the same agenda, commercial enterprises have complied for a mixture of altruistic and legal reasons. But, the question usually asked by businesses has always been, "How will this impact revenue?"

Will smokers stay away? Yes. Will non-smokers be attracted? Yes. The real answer is in the proportions.

### Visit us at NIGA - Booth 1135



The Innovation Group will be at NIGA in force this year, chatting with visitors about the broadened range of services we now offer in conjunction with affiliates Innovation Capital LLC,



Innovation Marketing and Urban Systems Associates. Since we've branched out to what we consider the "Innovation Group of Companies," we can provide more complete turnkey services to cover everything from feasibility to financing to site and traffic planning to management and marketing.



Innovation Capital LLC is our investment bank affiliate with a practice focused on the gaming industry. Innovation Capital's capabilities include mergers & acquisitions, corporate finance & valuations. Innovation Marketing is a joint venture between The Innovation Group and PRACO Public Relations Advertising Company. Through Innovation Marketing, we can execute the marketing strategies that our consulting work indicates to be necessary. And Urban



## The right to keep and bear cigarettes

What we're looking at in this article is not the revenue impact of designated smoking areas, but of bans. All out bans. It could be a smoking ban self-imposed by the business, or legislated by the community, state, territory or the national government. It could be imposed on only certain categories of public spaces, such as workplaces and health care facilities, or, in the case of Calabasas, California, in all public spaces, indoors and outdoors. In Sweden, smoking has been banned in most public spaces since 1983. In



Anchorage, Alaska there's a smoking ban in workplaces that exempts bars that serve food. Two years ago, Ireland, apart from my native Northern Ireland, was the first country in the Northern Hemisphere to ban smoking in all enclosed spaces, such as restaurants, hospitals, offices and, alas, even pubs. Some public buildings there have now built a 'Smoking Gazebo' outside entrances to cater for smokers.

### The last bastion

Casinos seem to be the last refuge of the public smoker. Most casino employees will tell you that gambling and cigarettes go hand in hand. Even legislation that outlaws smoking in restaurants and bars usually exempts it in casinos. New Jersey's new statewide ban exempts cigar bars and the gaming floors in Atlantic City casinos. New York's 2003 smoking ban exempted only cigar bars and Native American casinos. In Colorado, smoking may soon be banned in restaurants and bars, but would still be allowed in cigar bars as well as casinos in Black Hawk, Central City and Cripple Creek. The state with the strictest ban is Washington, which last December banned smoking in all workplaces, including bars, restaurants, bowling alleys and non-tribal casinos. Washington also bans smoking while standing within 25 feet of a door or window that can open, or outside of a ventilation intake.

## Happy Second Anniversary

So, what does a ban mean to revenue? Well, things will go from good to bad to not-so-bad, and eventually back to good. The results can be quite different depending on what amount of the gaming floor still allows smoking, if any. If a casino keeps a designated smoking area, it may see very little impact. Depending on the severity of the smoking restriction, certain segments of smokers will totally avoid the property. Any smoking area at all is a great advantage. Even casinos with outside smoking areas in proximity to the gaming floor have a significant advantage over those with the full ban.



In the typical case, revenues decline in the first three months immediately following the ban. In some of our measurements, we found that visitation seemed to increase following the ban, while revenue was down. On first blush, one might think that non-smokers were rushing to the facility. However, what we soon realized was that this was an effect of gamers who smoke leaving the floor to grab a cigarette outside and then being double-counted on re-entry.

For the rest of the year following the smoking ban, revenue impacts generally flatten out from the level seen in the first three months. In typical cases, we've observed that recovery to pre-ban levels usually occurs by the second anniversary date after the ban.

## By the numbers

That's what the general trend is. More and more, however, at The Innovation Group, we're being asked to calculate specific revenue impacts - by public agencies who want to know exactly what to expect if they impose a ban on their jurisdiction, and by casinos who want to evaluate the inevitable for budgeting purposes. To do this, we consider a variety of factors including demographics and smoking propensity of the populations, competitive alternatives and comparable histories on smoking bans enacted elsewhere. The art is comparing apples to apples, because there are so many different factors at play. Finally, we plug the relevant data into the model or two that best accommodates the degree of uncertainty of the factors with which we're working.

[MORE.](#)

Systems Associates is our traffic and transportation engineering affiliate, experienced in everything from parking garages to traffic impact studies.

Come by and visit at Booth 1135. The sofas are very comfortable again this year.



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**CLIENTS MAKING NEWS**

**Lehigh Valley is saved by the count**



Lehigh Valley's opportunity to have one of Pennsylvania's new slot licenses was slipping away because legislators assumed the population

base of the area wouldn't make it a worthy contributor to the

**THE GUEST COLUMN**



**The Future of Atlantic City in Light of New Competition**

By Michael C. Epps, Esq.

The passing of enabling legislation which legalized gambling in Pennsylvania has created a new buzz in Atlantic City. All of the properties are planning or have undergone makeovers. The Tropicana opened a new Cuban themed retail/entertainment venue called the Quarter. Harrah's has announced an expansion which is expected to feature retail establishments, restaurants, night clubs and a luxurious spa. The Showboat has taken a giant leap into the entertainment end of things by partnering with The House of Blues for a concert venue, night club, restaurant and private membership Foundation Room. The House of Blues venue has top name acts packing the house in the middle of the week. This was unheard of just a few years ago.

So, it is quite evident that "second wave" has begun to reach the shore with gusto. One will ask which came first the new amenities or the threat of competition. The answer to that is very difficult to nail down. The Borgata has certainly been looked to as the catalyst for a great deal of the new development, and there are several reasons for that. For one, the Borgata proved to the other casino companies that there was, in fact, an untapped market and that Atlantic City had not reached the saturation point. Executives of the Borgata often explain that they went after Atlantic City "rejecters" and asked them why they stayed away and what would bring them in. They then built it and they came.

**CONTINUE**

state's coffers. That's until a study by The Innovation Group analyzed the revenue and tax potential of various locations throughout the state and flagged Lehigh Valley as being right behind Philadelphia and Pittsburgh in revenue and tax potential. The Innovation Group's studies projected revenue based on an analysis of numerous factors including household income levels and competition from across state borders. Lehigh Valley's average household income is behind only Philadelphia and Shrewsbury, York County. Erie, Harrisburg and the Poconos are all expected to draw less than a Lehigh Valley site. Read the whole story at:

<http://www.gamblingmagazine.com/managearticle.asp?C=350&A=16144>

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### Pittsburgh wants to see the whole picture



One aspect of the casino application process for the new slot license in Pittsburgh is a requirement for applicants to submit community

impact reports along with their slots applications. In "Casino applicants predict the effects of their plans," Bill Toland and Mark Belko of the Pittsburgh Post-Gazette report on the wide discrepancy in how that request can be interpreted. While the application itself provided broad guidelines for what should be included in the report, the applicants still had significant leeway in interpretation. Some of the submitted reports were pure economic impact studies, some were traffic impact analyses. The one that The Innovation Group is cited in the article as having prepared for The Isle of Capri's application was similar to studies we regularly carry out to demonstrate true impacts on the community's quality of life as a whole.

Often we included the cost to mitigate the increases in the infrastructure required to manage those impacts. For the community impact portion of this particular study, we projected the effect on the housing market and real estate values, as well as the impacts on law enforcement, paramedic and fire protection. For example, for the law enforcement portion of our study, we considered the number of additional cases that can occur whenever large crowds of people gather, such as offenses involving property such as vandalism and stealing, traffic violations, and alcohol and drug crimes. Based on our estimates, we also forecast the number of police officers needed to handle the increase.

Read the whole article at: <http://www.post-gazette.com/pg/06067/666766.stm>

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### Federal approval takes time for United Keetoowah Band



The United Keetoowah Band of Cherokee Indians are working with Fort Smith developer Bennie Westphal in trying to build a casino complex on the downtown Fort Smith riverfront - if it can get federal approval. In "Fort Smith: Developer pushes Indian-run casino on city waterfront" by Tracie Dungan in the Arkansas Democrat, the complicated process is described for the acquisition of the property involving the federal-land-into-trust program. The Innovation Group is referenced in the articles as having done the feasibility study that estimated that the casino would generate roughly \$80 million in its first year through 1.7 million gaming visits. The casino would help the Keetoowah's continue funding programs for its members such as social services, utilities assistance for low-income

## Innovation Capital

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households, and scholarships and other support for students. (The article also references The Innovation Group New Orleans office's temporary relocation to evacuation quarters in Baton Rouge following Hurricane Katrina. We are now all back in New Orleans.) Read the whole story at:  
<http://www.nwanews.com/adg/News/148022/>

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### Las Vegas has its Hooters

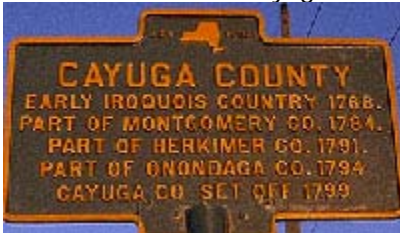
Another established restaurant brand has made the transition to the gaming and hospitality industry. The Hooters Hotel Casino in Las Vegas opened last month after a ten-month transformation of the former Sam Remo Hotel and Casino. Naturally, the property features a Hooters restaurant with Hooters Girls, but also a Dan Marino's Fine Foods and Spirits, named after the NFL Hall of Famer. A unique feature of this operation is that reservations can be made from any Hooters Restaurant using the Hooters Hotline. The Innovation Group did the market assessment, operating projections and reviewed the building plans for the development. Read more in this KVBC story at:  
<http://www.kvbc.com/Global/story.asp?S=4446816>



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### Seneca-Cayuga looking at all the issues

The reason for place names such as Seneca Falls and Cayuga County in central New York is that this was the ancestral home of the Seneca-Cayuga Tribe of Oklahoma. Now, the Seneca-Cayuga are trying to bring economic development to that area in the form of a \$400 million destination casino and resort. The Innovation Group did the market assessment and feasibility study for the development and determined that this area, which has lost numerous manufacturing jobs over the years, stands to gain 2,000 jobs with a \$62 million annual payroll, local property and sales tax revenues totaling \$15 million a year and 1,700 construction jobs. While those are huge numbers, in "Big Numbers, Big Concerns," Syracuse Post-Standard writer Scott Rapp interviews local officials who are still sorting through the myriad of other issues, such as impacts on the infrastructure that come with such a project. The Innovation Group



also did a study for the tribe of those social impacts being questioned. Despite the concerns being looked into, some town officials are excited by the tourism and entertainment possibilities that can also help the economy. Read the article at:  
<http://www.syracuse.com/news/poststandard/index.ssf?/base/news-3/1140688575214030.xml&coll=1&thispage=2>

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### Pokagon casino years in the making

After six years of courtroom battles, the Pokagon Band of Potawatomi Indians is moving ahead with construction of its 145,000 square-foot Four Winds Casino Resort outside of New Buffalo, Michigan, just over the Indiana state line. In "Four Winds vs. 5 boats: Let the battle begin," Susan Erler of the Northwest Indiana Times Online describes the plans of the Tribe as well as the expansion plans of the five Lake Michigan riverboats in the market. The Innovation Group did the market assessment and feasibility study for the project, studying three alternative sites in southeast Michigan. The operating statements we generated showed projected revenues for each site and lead to the selection of the New Buffalo location. The Pokagon facility will be designed to look like a north woods lodge, with a bowed ceiling and an entryway made to look like a long house, the traditional home of woodland Indian tribes. Read more at:



<http://www.thetimesonline.com/articles/2006/02/26/business/business/ce16d3e6bb649f4b8625711f007d2315.txt>

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### Steve Rittvo on the future of racinos

Innovation Group president Steve Rittvo was quoted on the evolution of racinos in "Hotels can turn racinos into resorts," an article by My-Ly Nguyen of the Binghamton New York *Press & Sun-Bulletin*. "Ten years ago, a racetrack with slots was a draw," Steve said. "Then the racinos with upgraded restaurants become more appealing.

Then it was the facilities with hotels." The article also focuses on comments by Ed Sutor of Dover Downs in Delaware, whose racino has achieved recognized resort status, and Jeffery Gural of Tioga Downs in New York, who has plans to go in that direction. Dover Downs currently has a 10-story, 232-room hotel and features four restaurants, five bars, conference space, an exercise room and other amenities. Management is discussing plans to double the size of the hotel. Added Steve, "Done well, racinos represent the synergy between racetracks and slots, entertainment venues and hospitality. People look at a variety of things when they decide to make a leisure trip. The more you offer, the farther people are willing to travel to see something." Read the whole article at:

<http://www.pressconnects.com/apps/pbcs.dll/article?AID=/20060321/NEWS01/603210303/1006>

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### Paul Girvan challenges Pittsburgh estimates

"A bit of a stretch" seems to be the theme of an article on the high revenue estimates of some of the applicants for the Pittsburgh gaming license. That's how The Innovation Group's managing director Paul Girvan, described Forest City Enterprises' claim that it can generate \$617.7 million a year in revenue from its proposed operation. "If you're doing \$600 million in Pittsburgh, what's left for the other guys? Show me that whole picture. You'd have to cannibalize the West Virginia properties to the point of bankruptcy. I don't think anyone foresees that happening," he said. Paul was the lead analyst on The Innovation Group team that studied the issue for state Sen. Vincent Fumo, D-Philadelphia, before the slots law was passed in 2004. His calculations estimated a figure between \$320.6 million to \$369.2 million to be more realistic, depending on a number of variables, including the number and location of other Pennsylvania slots parlors. Paul's sophisticated forecast models take into consideration factors such as population density, casino location, distance from competitors, and the size and attractiveness of the facility. Read the whole article at:

<http://www.post-gazette.com/pg/06054/659888.stm>

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### Asia asks Scott Fisher, Ph.D.

Because of the numerous Asian consulting projects that Innovation Group managing director Scott Fisher, Ph. D., has overseen, he is often sought out for his opinion on breaking gaming issues in that part of the world. In Singapore, where the government is accepting bids to build the only two casinos that will be permitted there, Scott was asked his opinion on the government's 161,000 square-foot size limitation on the gaming floors. In "Singapore Casino To Be World's Most Expensive" in the Malaysia Business Times, Scott is quoted saying that "the capped size may not be that big an issue initially, but if there is growth of 5% or so per year, capacity problems could be reached in the not-too-distant future." As the costs of land and construction are high, the projects are each expected to hit \$3 billion, making them the most expensive in the world.



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### Pittsburgh Isle is a natural according to Girvan

The Isle of Capri is proposing its grandest project yet - a \$250 million casino that would be their largest venture, not only in number of slot machines but also in projected revenue. Making it an even more ambitious undertaking is their pledge to provide \$290 million for a new arena for the Pittsburgh Penguins, its partner in bidding for the lone state license available for a casino in Pittsburgh. But revenue forecasts indicate the numbers are reachable and the project should be profitable. Paul Girvan, Innovation Group managing director is also quoted in the article entitled, "Casino plan with Penguins is Isle of Capri's biggest bet" by Mark Belko in the Pittsburgh Post-Gazette. While some analysts wonder about this move for the company that began as a riverboat gaming operator, Paul sees it in line with their growth. "They have a company direction to look at regional markets." Paul Girvan, was part of the team that helped craft Pennsylvania's slot machine law and understands the market dynamics as well as anyone. "Indeed, Isle has always singled out mid-sized markets for its growth, looking for areas with limited competition and high investment returns. Read the whole article at:

<http://www.post-gazette.com/pg/06022/642196.stm>

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### Pittsburgh employment story quotes Steve Rittvo

The high direct employment numbers projected by some of the applicants for Pittsburgh's new gaming licenses have skeptics in doubt. According to an article in the Pittsburgh Post-Gazette, estimates on direct jobs range from 979 to 4,000 for a slot parlor that is expected to open with 3,000 machines. Innovation Group president Steve Rittvo is quoted on the study our firm did for the Isle of Capri, which projected the most conservative numbers of the three casinos vying for the license. The Innovation Group study not only projected direct and indirect employment, but also estimated casino revenue and the mitigation costs of impacts on the community. Those community impacts analyzed included the effect on housing, public transportation and law enforcement. Read more in "Casino applicants predict the effects of their plans" by Bill Toland and Mark Belko at:

<http://www.post-gazette.com/pg/06067/666766.stm>

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### Girvan sees strategy in poker at Foxwoods

As Foxwoods increases its poker room to one of the largest in the country, many observers are questioning the move. In "Foxwoods expanding poker room, but is the market drawing dead?" by Matt Apuzzo of the Associated Press, the author presents several opinions including that of Innovation Group managing director Paul Girvan. While other critics question the move in light of poker's smaller per-square-foot profitability, Paul, said, "It's not about what poker brings in, per se. It's about getting that bigger demographic." "The level of interest in poker is much higher than it was five or six years ago and I think it's brought a whole new younger market to casinos." Foxwoods is gaining visibility for the room by partnering with the World Poker Tour. Its kickoff game was televised and a later high-stakes Texas Hold 'Em tournament will have a televised final table. Read the whole story at:



[http://www.boston.com/news/local/connecticut/articles/2006/03/03/foxwoods\\_poker\\_room\\_doubles\\_up\\_but\\_is\\_the\\_mark](http://www.boston.com/news/local/connecticut/articles/2006/03/03/foxwoods_poker_room_doubles_up_but_is_the_mark)

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## THE INNOVATION GROUP NEWS



### Going Postal

If you fail to get a response to anything you've mailed to the New Orleans office, don't think we're ignoring you. Postal service since Hurricane Katrina is still abysmal. Some mail is taking five or six weeks to reach us. For five days in a row last week there was no mail at all in our New Orleans post office box where there is usually a sizable stack. For that reason, we're asking all to send mail to our Denver office at [2305 E. Arapahoe Rd., Suite 135, Littleton, CO 80122](#). The New Orleans office is getting lots of promises and excuses, but no mail.

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### Research by the slice - custom research analyses at a fraction of the price.

In the course of undertaking 2500 in-depth surveys to produce our recent research publication, *Portrait of American Gamblers*, we gathered an incredible amount of data. And the ways we can slice it into cross-tabulated subsets is almost infinite. And even though *Portrait*, itself, is comprehensive enough to be of benefit to strategic development and marketing decisions at all levels, much of the data behind it can be cross-tabulated to suit custom situations. This can be a very economical way to obtain a custom primary research study. *Portrait of American Gamblers* shows how gamblers' answers compare to those of the general population and breaks down most of the responses by age, income and region

of the country. But, by re-analyzing that data, we can also generate subsets to show how those responses compare to customers who favor a specific casino or a specific game, to a specific demographic, to occupations, to smoking preference and much more. The list of topics at the end of this article is an indication of some of the fields that can be cross-tabulated.

<b>SUBSET EXAMPLE</b>		
<b>Interest in Table Games</b>		
	<b>Non-Racino Gambler</b>	<b>Racino Gambler</b>
Extremely/Very Interested in:	%	%
Blackjack	53	56
Poker	31	41
Roulette	21	26
Craps	22	26
Bingo	23	21
Caribbean Stud, Pai Gow	11	17
Live Keno	13	14
Baccarat	6	7

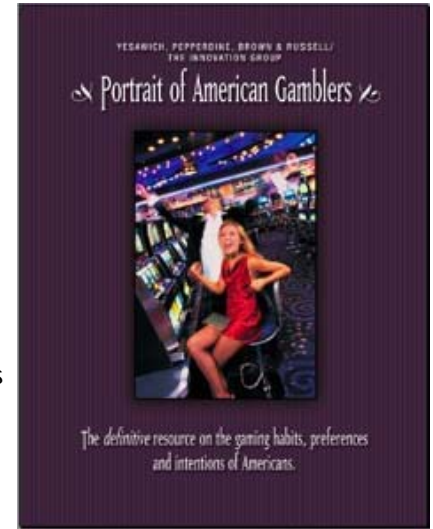
The information in a subset analysis can be tailored to the strategic focus you indicate, and the report itself is designed to allow you to quickly and easily make accurate assessments of a large amount of consumer preference information as it applies to your specific situation. The potential also exists to enhance the basic premise of the subset analysis by creating a more defined consumer focus through the cross-tabulation of multiple subsets. An example of the value of this would be an analysis that focuses on gamers with a certain attribute who reside within a specified geographic region (e.g. preferences of slot players in the Chicagoland market). As long as the initial subset sample is large enough to maintain statistical validity through the additional subset tabulations, the possibilities are virtually limitless.

*To discuss in-depth market segment analyses please contact Dennis Marzella, Executive Vice President/Partner, Research and Brand Strategy, Yesawich, Pepperdine, Brown & Russell, at 407-875-1111 or [dennis\\_marzella@ypbr.com](mailto:dennis_marzella@ypbr.com).*

*Portrait of American Gamblers*, the currently available bound version, is a joint publication of The Innovation Group and Yesawich, Pepperdine, Brown & Russell, the country's leading marketing services firm specializing in the travel and leisure industries. *Portrait of American Gamblers* reaches beyond the kind of information you can get from Players Club databases, delving into the realm of what truly motivates casino customers to pick a destination, pick a casino brand, pick a game or visit a new casino.

*Portrait of American Gamblers* provides the kind of information on the habits and attitudes of casino customers that our clients are regularly seeking. What makes it different from other research reports is that it's not merely a count of how many gamers are playing where, but it's an examination of the evolving lifestyles and motivations that influence gaming behavior. We asked our subjects questions such as what drew them to the casino in the first place and about their future interest in visiting specific gaming destinations, specific casinos and specific hotel/resort brands. To give warranted attention to the rapidly growing segment of Native American casinos, we included several questions about customers' experience with these properties as well. We also included some in-depth questions on the non-gaming life of customers by probing their travel habits, media preferences, lifestyle, demographics and social values.

From the hundreds of gaming studies done by The Innovation Group over the past 12 years, for clients ranging from major casino companies to Native American tribes to governmental bodies, we have come to know the nature of information that's integral to the making of sound strategic decisions. Now, we've made a wealth of this information available to everyone. You can order your copy by going to the [Publications section of www.ypbr.com](http://www.ypbr.com). Reasonably priced at \$995, it's sure to become an essential to any gaming library.



#### **Topics covered in the study include:**

- Incidence of day and overnight casino visitation during the previous 12 months
- Previous day and overnight visitation of specific gaming destinations
- Previous day and overnight visitation of specific casinos
- Future interest in visiting specific gaming destinations
- Future interest in visiting specific casinos
- Future day and overnight casino visitation intentions and frequency
- Preferred casino hotel/resort brands
- Visitation and experience with Native American casinos
- Average expenditures on gambling, entertainment, food and beverage, lodging and shopping for both day and overnight casino visits
- Desirability of specific attributes when selecting a casino (e.g., brand name, proximity, food and beverage,

entertainment, nightlife, sporting events, architectural/design theme, ambiance, recreational amenities, parking, smoking, promotions, player recognition/reward clubs, etc.)

- Preferred games (e.g., slots, table games, etc.)
- Interest in specific casino slots (e.g., mechanical reel slot machines, video slot machines, video poker, video lottery terminals, Class II machines, etc.)
- Interest in specific table games (e.g., baccarat, bingo, blackjack, craps, live keno, poker, roulette, etc.)
- Players Club program membership and preferences
- Influence of specific promotional offers when selecting a casino
- Vacation habits
- Leisure time habits and preferences
- Social values
- Media habits
- General consumption preferences and behavior
- Political and religious affiliations
- Demography

To order your copy of YPB&R/The Innovation Group's Portrait of American Gamblers visit the [Publications section of www.ypbr.com](http://www.ypbr.com).

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## Smoking bans can be a drag on casino revenues by Paul Girvan (CONTINUED)

### I gave it up ten times

Different geographic and demographic groups have different affinities to smoking. In a recent smoking ban study we did for the Singapore market, we analyzed the smoking habits of all the feeder markets in the Pacific Rim, to weigh each market's revenue potential individually. These markets ranged widely in the prevalence of smoking, from a high of two-thirds of all males who smoke in China and Indonesia, to a low of 15% of adults who do in Hong Kong, which also has a youth smoking rate that is almost negligible relative to other Asian markets. (As you project the impact of these bans into the future, you also have to consider the smoking prevalence of tomorrow's gamers.) In Victoria, Australia, there was a significant drop in gaming revenue following the implementation of a smoking ban there, where gamblers smoke 2.5 times as often as other Australians.



Another way to look at the "loyalty" to cigarettes is to also divide your subjects by frequency of smoking. For another recent study, we determined the propensity of the population that was either a daily smoker or an occasional smoker. Those who can more easily do without smoking for a visit are less likely to be lost in the ban.

### Just follow the smoke



Another key factor we look at is the competition. We need to carefully evaluate how accessible the smoking casino alternatives are. We consider travel distances, traffic, psychological-geographical boundaries and so on. Because Native American and First Nation Tribes have their own sovereignty, they are not subject to local smoking rules and still allow smoking. So, we have to understand where the customer base comes from in order to determine how much of it, if any, is in proximity to good smoking alternatives.

In addition to the direct gaming issues we study, we have to consider what else is going on that could affect the performance of the casino in addition to the ban. So, we look at other issues within the property and at general market economic factors that could affect our customer base, their incomes, etc.

## Apples and Oranges

One obviously useful analytical tool is to study what happened in prior comparable situations. When looking into comparable gaming jurisdictions, we look around the world for a situation most relevant and interpret the degree of similarity to know what could happen differently in the situation we're studying. The art is in determining what factors are similar and which are irrelevant. Because more of the historical cases that exist study the impact of a smoking ban on non-gaming venues, such as restaurants and bars, one might be tempted to use data from these categories to predict gaming behavior. However, we've found that too much contradictory data exists and have concluded that there is a lack of fit between these industries and the gaming sector to allow for any useful comparison or application.



After we gather the data, we use a variety of probabilistic models to forecast the revenue for the future. We run an analysis to determine if there exists any common variables that could be used to help in accurately predicting impacts on revenue. The models we use can give us projections with an accuracy of a 95% confidence level.

Smoking bans are inevitable. When they will be imposed is the issue. And that timeframe determines the revenue impact. The economic impacts from smoking bans will likely decline over time as smoking bans become more commonplace in other markets and in other social environments such as restaurants and bars.

Meanwhile, I will continue to feel for those brave souls who defy the elements to maintain their vigils outside the doors of establishments around the world, while there is still an outdoors that allows them to light up. As for me, I'm ready to act on my New Year's resolution, and finally give up cigarettes... for cigars.

- Paul Girvan

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## The Future of Atlantic City in Light of New Competition by Michael Epps (Continued)

There is a new energy in Atlantic City. It is young and hip and even cutting edge. There is much still to come in the way of new upscale attractions. The Gordon Group, developers of the Forum Shops at Caesar's, is well underway on construction of the Forum Shops at the Pier at Caesars. When it is completed, it will be a very upscale retail, entertainment and restaurant complex featuring some of the most popular names in the business.

Outside of the casinos, there is a new entertainment district which has established itself as a must-see attraction. The Walk is an outlet retail shopping district occupying four square city blocks in the center of town. The Walk feature outlet stores of well known retailers such as Polo, Nautica, Tommy Hilfiger, Calvin Klein, Banana Republic, Brooks Brothers, Bass, Izod, Liz Claiborne and Reebok to name a few. The Walk also features restaurants and Jay-Z's sports bar the 40/40 Club.

The future for Atlantic City looks very bright, even in light of the pending competition just 60 miles west. The casino owners in Atlantic City have many advantages. The casinos here are well established. The casinos in Pennsylvania will be only slot parlors. The thinking seems to be that the Pennsylvania facilities are likely to create a new market of players. After getting a taste of the slot parlor, they will be ready for the full resort experience and will seek out Atlantic City.

So all in all, Atlantic City seems well braced for the impact of gaming in neighboring states and appears well suited to weather the storm.

*Commissioner Michael C. Epps is currently a member of the New Jersey Casino Control Commission and was the first Atlantic City native to serve on the commission. Prior to this appointment, Mr. Epps served as general counsel for the Atlantic City Board of*

Education where he was responsible for drafting and reviewing contracts, bids and proposals, and handling litigation for the school board. Prior to that, he was an associate with the law firms of Horn, Goldberg, Gorney, Plackter, Weiss & Perskie in Atlantic City and the Absecon firm of Savio, Reynolds & Drake.

Currently, Mr. Epps is a member of the American, New Jersey, Pennsylvania and Atlantic County Bar Associations. He serves as a Commissioner on the Atlantic County Utilities Authority, sits on the Advisory Board of the First Tee of Greater Atlantic City, and serves as the Commission's representative on the board of the Atlantic City Special Improvement District. Mr. Epps earned a Bachelor of Science degree in journalism from the University of Maryland in 1988. He graduated from the Howard University School of Law in 1994 and was admitted to the New Jersey Bar that same year.

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