



THE INNOVATION GROUP

THE PREMIER ADVISORY FIRM FOR GAMING, ENTERTAINMENT & HOSPITALITY

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QUARTERLY
NEWSLETTER

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by Michael Zhu, Cameron Steinagel, and Michael Vanaskie

While the majority of the focus in Asia has been on Macau, The Philippines has risen to become one of the top markets in the region, although it has experienced some growing pains. The Innovation Group has been involved with this market for the past five years. **FULL ARTICLE ON PAGE 3**



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COME SEE TIG @ G2E 2015

TIG HOSTED SESSION

Inside the Integrated Resort: IR's Meaning to Jurisdictions and Companies

Wednesday, September 30, 11:45 A.M. - 12:45 P.M.

Bellini 2001

The integrated resort (IR) has proven to be a huge success, but they always come at a cost. At this session, experts will share first-ever research that explains the rationale behind an IR-for the government, for the developer and for the customer. Learn about where IRs should be located, what rules and laws should be established and what is an acceptable return on investment. Discussions will include the regional differences, how existing IRs perform and whether there should be an agreement granting some form of monopoly.

- Learn how the definition of an IR differs regionally
- Understand how to evaluate the market and the level of investment
- Learn the impact of a phased construction process



SPEAKER: *David Rittvo, EVP, International, The Innovation Group*

David Rittvo, Executive Vice President, International for The Innovation Group, is leading the company's presence in international markets, with a focus on the Asian Region. He joined The Innovation Group as a Senior Analyst in 2009 to provide gaming feasibility analysis and to help formalize a specialty advisory discipline within the organization that provides F&B-specific consulting. In addition he has been supporting the marketing, development, financial, operational and management advisory services to the firm's gaming, entertainment and hospitality clients. His current role focuses on business development, project management and client relations for casino and resort developments in international markets, mainly focused in Macau, Japan, Vietnam, South Korea, Taiwan, Laos, Philippines and Australia/New Zealand.

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CARIBBEAN

CUBA GAMING

Will a bygone era make an encore appearance?

by Michael Soll and Michael Zhu

Once upon a time, Havana was a city rich in glamour, movie stars, and gangsters. The world of gaming in the 1920s immortalized an iconic period in Cuban history which inspired Broadway musicals, pop songs, novels, and movies. Home to 13 casinos frequented by Hollywood royalty, the gaming industry benchmark was set. It was a world everyone dreamed of, and that every gaming CEO since then has tried to recreate. This world enjoyed three glorious decades before the final curtain call in 1959 when a young revolutionist overthrew the government and began a new era of Communism.

Over half a century later, Cuba is a very different world today. The glamour of high net worth celebrities often visiting this once popular Caribbean hotspot is now a distant memory, replaced by the Castro regime and a new history of trade embargoes, strained foreign relations, human rights violations, severe economic hardship, and a totalitarian dictatorship. Cuba stands as the second most populated island in the Caribbean with over 11 million residents. Its capital, Havana, is the largest city in the country with over two million people representing nearly 20% of the overall population, and with the third largest metropolitan area in the region behind Santo Domingo, Dominican Republic, and San Juan, Puerto Rico.

Yet the tides are slowly turning. In December 2014, the United States and Cuba both announced that they would restore full diplomatic ties for the first time in more than 50 years. This momentous declaration had every gaming CEO asking the same question: "Can we once again return to that bygone era?"



For gaming to return to Cuba, several key developments must happen. First, there must be a stable and open government including non Castro leadership, a transparent regulatory system, and significant investments in security, travel, and tourism infrastructure. If these developments became a reality, the country would still need to legalize gaming, develop local and tourist friendly gaming regulations, and attract capital investments. Finally, the U.S. must open leisure travel to Cuba.

It's this hope and possibility of a Cuban government under new leadership which keeps everyone wondering, "What if?". Industry analysts and business leaders are curious. Many are flocking to the region to explore the possibilities. Early reports include praise of the pristine condition of buildings in Cuba, particularly those used as casino gaming entities. In fact, a number of them still remain open, operating as hotels or other forms of entertainment. This includes Hotel Nacional, The Hotel Habana Libre (formerly the Habana Hilton), the Hotel Plaza, the NH Capri Havana (formerly known as just the Capri), and the ever famous Tropicana which currently operates as a cabaret and nightclub.

The island continues to be a beautiful destination and a new era of gaming could be possible.

The Cuban Economy & Potential Impact of Legalized Gaming

The size of the local economy and tourist trends continue to be the greatest indicators of gaming potential in the Caribbean. The Cuban government has slowly loosened its rigid control over businesses during the last few years, impacting GDP. In 2001, Cuba's GDP Per Capita was approximately \$2,800 and as of 2013, it grew to \$7,000. This results in an annual average increase in GDP per Capita of 7.6%, as compared to the U.S. which averaged approximately 3% during the same time period. While these figures still remain low, it is worth noting that their historical rate of growth, in context with their future potential, remains positive should the U.S. relax the travel restrictions to Cuba. Today, Cuba surpasses the Dominican Republic and Jamaica in terms of GDP per Capita, two countries that enjoy a strong tourism sector to help sustain their economies.

Travel and Tourism are significant contributions to the GDP of nations with legalized gaming. Based on statistics from the Caribbean Tourism Organization, approximately 63,000 Americans visited Cuba in 2010. Since the U.S. opened travel options to Cuba, the country has experienced significant growth in visitation from U.S. citizens, surpassing 51,000 visits from January to May, 2015. Travel among non-American tourists, representing 95% of the tourists to Cuba, has also increased by 14% during that same time period. Some Cuban officials estimate American travel to increase to 1.5 million if leisure travel is allowed. The International Monetary Fund (IMF) projects three million American tourists visiting annually. The United Nations Conference on Trade and Development (UNCTD) noted tourists to Cuba stay on average for 12 days, one of the highest averages in the region. Proximity to the U.S. is one of Cuba's greatest assets to capitalize on. As such, tourism – and all of the industries that support it – has a real opportunity to develop into a sector that could bring billions of dollars to the country each year.

Given the long path ahead for political and economic independence in Cuba, The Innovation Group has assumed that initially, casinos would be open only to tourists. Based on today's tourist levels for Cuba, the introduction of casinos is estimated to generate approximately \$170 million in gaming revenue. We would expect this number to increase with

the uptick in U.S. tourist arrivals, and ultimately with a more stable local economy leading to local play.

ASIA

THE EVOLVING FUTURE OF PHILIPPINES GAMING

by Michael Zhu, Cameron Steinagel, and Michael Vanaskie

While the majority of the attention in Asia has been focused on Macau, The Philippines has risen to become one of the top markets in the region, although it has experienced some growing pains. The Innovation Group has been involved with this market for the past five years, both projecting the new paradigm in the market and working with current operators. Entertainment City is currently experiencing its nexus as a driver of inbound tourism, strong gaming revenues, and increased taxes to the government, while also experiencing some operations struggles that can be addressed in the short term. The following article presents the current market offerings, a look back at The Innovation Group's previous work, the current shift in the market dynamics, and the market's future.





The Philippine Amusement and Gaming Corporation ("PAGCOR") regulates all casinos based in the Philippines, including several licensed private casino operators in special economic zones. The chart below shows the three resorts that are currently operating in Entertainment City.

Company	Resort Name	Development Cost	Slots	Tables	Hotel Rooms	F&B Venues	Entertainment	Other Non Gaming Amenities
Alliance/ Travellers/ Resorts World	Resorts World Manila*	\$600 Million (expansion only)	3,000	600	2,126	40	1,500 seat Newport Theater	30,000 sqm shopping center and movie theater
Bloomberry Resorts	Solaire	\$1.2 Billion	1,700	380	850	12	1,800 seat Solaire Theater	60,000 sqm of retail (under construction)
Belle Corp/ Melco	City of Dreams (Opened 2/2015)	\$1.3 Billion	1,680	379	850	10	DreamPlay and CenterPlay	~70,000 sqm of retail space

Source: The Innovation Group, Property Websites, Various News Articles, "Metro Manila IR"

Tiger Resorts, one of two Entertainment City integrated resorts, announced that it will delay its opening to the end of 2016. It is expected to include 3,000 slot machines, 500 tables, a 2,000 room hotel, an oceanarium, The Manila Eye Ferris Wheel, an arena, a theater, and a museum.

Alliance Global Group, a partner in Resorts World Manila, is also developing an Entertainment City IR, Resorts World Bayshore. The development is expected to open in 2019. Upon completion, it will offer over 1,500 rooms, 1,323 slots, 221 tables, retail space, and a theater.

Projections Versus Current Operations

In 2012, The Innovation Group completed multiple market projections as the underwriting process commenced for Solaire and City of Dreams. The following chart shows The Innovation Group's 2012 forecast of the Philippine gaming market.

Philippines Gaming Revenue Forecast						CAGR
(in millions of USD)	2013	2014	2015	2016	2017	2013 - 2017
Domestic Gaming Revenue	1,475.9	1,662.3	1,795.9	1,903.7	2,017.9	8.1%
Foreign Gaming Revenue	634.3	837.6	1,516.9	1,796.8	1,962.1	32.6%
Total	2,110.2	2,499.9	3,312.8	3,700.5	3,979.9	17.2%

Source: The Innovation Group

Actual gaming revenues for the market between 2012 and 2014 rose from \$2.0B to \$2.5B (18.5%), tracking very closely to the projections made by The Innovation Group. PAGCOR Chairman and CEO Cristino Naguiat Jr. noted that gaming revenues for the first half of 2015 reported at \$1.4B, estimating that 2015's full year gaming revenue will exceed \$3.0B, increasing nearly 20% year-over-year.

The Innovation Group's forecast accuracy falls well within an acceptable range of variance. This shows our belief in the market and its ability to drive gaming demand from within the domestic area as well as from feeder markets within Asia.

Innovation Group's Philippines Gaming Market Forecast - Produced May 2012			
Forecast Year	Total IG GGR Forecast	Total Actual	Total Variance
2015 (in millions of USD)	\$3,312.8	N/A*	
2014 (in millions of USD)	\$2,499.9	\$2,500.0	0.0%
2013 (in millions of USD)	\$2,110.2	\$2,200.0	-4.1%

* Reports show that 1H2015 produced \$1.4B in gaming revenue. Experts assume gaming revenue will come in at approximately \$3B
Source: Analyst Reports, The Innovation Group, Reuters

Current Market Dynamics – Paying for Business

While gaming revenue growth has continued, it has come at the expense of the operators' bottom line. Revenue can be purchased through comps, junket commissions, and other marketing efforts designed to attract high-value gamers. This has been evidenced in recent revenue and profitability announcements from Melco Crown, Bloomberry Resorts, and Travellers International Group.

Although revenues of the three noted properties have increased by 23% in the second quarter of 2015, they have posted a combined loss of \$43.1 million, as noted in the table below.

Manila Integrated Resort Performance		
Operator	Property	Q2 2015 Results
Melco Crown Resorts Corp	City of Dreams Manila	Comprehensive loss widened by 27%YoY
Bloomberry Resort Corp	Solaire Resort and Casino	Net Loss of \$16.8M compared to gain of \$18.3M from the prior-year period
Travellers International Hotel Group	Resorts World Manila	Net profit declined by 45.4%YoY

Source: Analyst Reports, The Innovation Group

This is not a new trend, as other markets such as Macau experienced similar situations. In response, operators in Macau shifted their marketing strategy from attracting the few high-value targets and toward mass gamers. Despite the drastic revenue declines, many operators have seen profitability increases as they have spent less money and time chasing VIPs. Time will tell if a similar strategy will work in the Philippines, as operators turn toward the local market to drive profitable revenue growth.

Current Market Dynamics – Cross Border Tourism

Tourist arrivals in the Philippines increased 8.2% to 2.23 million in the first five months of 2015, with most coming from South Korea, who accounted for 24.5% of the total. Since Koreans wouldn't be able to gamble at Korea properties, Philippine operators could showcase the brand and offer Koreans non-gaming entertainment, aimed at inducing visits to Manila. The potential synergies of brand marketing, loyalty programs, and collaboration with tour operators can be extensively realized.

Bloomberry Resorts has acquired plots of land on both Muui Island and Silmi Island, within the Incheon Free Economic Zone. In March 2015, the company also obtained control of T.H.E. Hotel and Vegas Casino on Jeju Island. The casino is slated for reopening later this year. Enrique Razon, Bloomberry's Chairman, envisions the Korean project to be a multipurpose development that includes casino, hotel, residential, and other commercial units to be a comprehensive tourism community.



Future Outlook for the Market

The Philippine market is dynamic and will continue to evolve. Our view is that it will continue to strengthen from a revenue perspective. The bottom line growing pains that operators are experiencing will continue to evolve, and our estimate is that the companies will start to drive better returns through the second half of 2016. As operators continue to evolve their client base and expand into new markets, their financial performance should continue to improve.



INNOVATION PROJECT DEVELOPMENT

IPD STRENGTHENS RELATIONSHIP WITH TIG

by Joel Rittvo

While Innovation Project Development (IPD) has been The Innovation Group of Companies' affiliate focused on construction and project management services for almost 10 years now, the relationship between IPD and TIG has been significantly strengthened during the past year to provide an additional level of service to The Innovation Group's clients.



IPD was originally envisioned as an Owner's Representative entity, primarily there to help clients turn the recommendations provided by TIG market and feasibility studies into executed development projects – essentially moving a project from paper to reality. Current market realities of increased competition for providers in the Gaming and Hospitality segments, and the move towards more complex and diverse offerings seen especially in the growth of Integrated Resort developments, has created a need for a more comprehensive analysis and pre-development planning process for many of The Innovation Group's engagements. Governmental review agencies, financiers and lenders, and potential development partners who are evaluating proposed developments are looking to see a more complete development plan from the very start then has been the case in years past.

To support these efforts, IPD has been providing staff to participate in initial discussion with TIG client about their development concepts and goals. IPD has been visiting and evaluating potential sites for these clients at the same time that TIG begins their market analysis. By the time TIG has progressed their models sufficiently to begin outputting sizing, quality and mix of amenity recommendations, IPD has a sense of what a particular site can sustain and how best to translate TIG's findings into an initial building program. This information can then be reviewed with the client and iterated back through TIG's ongoing process of findings and recommendations.

As soon as the market and feasibility recommendations are coordinated with a preliminary building program and a site usage plan, IPD produces a high-level order of magnitude budget for the construction elements of the project. Once again, this information is fed back from IPD into TIG's analysis, allowing a full Return on Investment (ROI) discussion to be included at the conclusion of the TIG study. The client then has all the pieces necessary for selling their concepts to agencies, lenders and strategic partners, and the project is ready to hit the ground running with information to get planners and designers started efficiently and with a level of confidence and control in place for these efforts.

Some examples will help illustrate the role that IPD has played in recent TIG engagements:

- For a proposed Integrated Resort development in the Krasnodar area of Russia, IPD took the general sizing recommendations provide by TIG's analysis and organized and led an intensive 3-day design session with the client and their architects in Moscow. With an agreed upon space and site use concept in hand, IPD returned to the States to continue working with a gaming design specialist to produce three options for the theming and configuration of the gaming and common areas, with cost estimates provided for each.
- For very large IP proposals in Seoul and Tokyo, IPD has been on board with TIG from the start to review and recommend adjustments to initial site usage plans and development budgets provide in both these cases by the clients' development teams. As the market analysis and feasibility information became available, IPD and the clients' development teams were able to work together to revise and re-program space planning concepts, phasing schedules, and development budgets. David Rittvo, who led both projects for TIG said, "Having IPD available to provide as needed development expertise was invaluable to the interactions with the clients."
- In Tbilisi, Georgia, TIG's client had assembled a group of buildings and properties adjacent to their existing hotel and casino. Michael Soll from TIG and Joel Rittvo from IPD spent several says at the site working directly with the client development group to come together on a best use plan for the various physical pieces that made sense within the context of TIG's initial market and feasibility analysis. This allowed the client to move forward more confidently in their preliminary design and construction planning.

- Similar services are being provided for clients in Vietnam and another location in the same region. In one instance the task is to modify a long term development plan to respond to changing market conditions and in the other case, it is to assist in planning a new IR possibly related to a government defined Special Economic Zone. Michael Zhu is the lead for the Vietnam project and he comments, "With IPD's expertise in site planning, development implementation, and construction budgets, the TIG team was able to fully address the phasing timeframes and keystone steps. In addition, the overall accuracy and dependability of the feasibility study and the ROI analysis was enhanced and augmented to a significant extent."
- IPD has made two trips in the past quarter to Bermuda to scour several potential building sites for a proposed Integrated Resort. These are sites with existing elements that would be incorporated into the final product, along with new and expanded components. The time spent looking critically at each option is helping the client decide on their best pass forward, and when this is set, the information will be in hand to accurately complete the market and feasibility study steps through an ROI calculation and a detailed development time schedule.

Response from clients to this more integrated delivery approach has been overwhelmingly positive. The comprehensive Innovation Group of Companies team approach has been able to save time, eliminate false starts, and reduce the need to revisit prior steps throughout the process. The consolidated professional fees for these services are cost effective to begin with, and the efficiency of the process adds time and money savings on top of that. It has proven to be such a value added element for TIG to offer clients that TIG and IPD are taking the next step of rearranging their own physical structure by relocating IPD's center of operations during the upcoming quarter from the Mississippi Gulf Coast to Colorado, allowing for a more efficient working relationship with TIG offices in Aspen and Denver.

CLIENT OPENINGS

THE INNOVATION GROUP WELCOMES THE EASTERN BAND OF CHEROKEE NATION'S NEWEST MEMBER: HARRAH'S CHEROKEE VALLEY RIVER CASINO & HOTEL

by Erika Meeske

Nearing 18 years of successful operation at Harrah's Cherokee Casino Resort located in Cherokee, North Carolina, the Eastern Band of the Cherokee Nation is getting ready to welcome their newest casino addition. In 2012, the Eastern Band of the Cherokee Nation retained The Innovation Group to conduct a market analysis for a potential new casino development in western North Carolina. In our market assessment of the proposed casino, we assessed hotel, casino, and amenity demand using our internal gravity model, as well as primary market research in the form of a quantitative survey of the local market and current Harrah's Cherokee Casino Resort patrons. Our modeling included the impact of the proliferation of sweepstakes games throughout the region. Their development team then took over, beginning in 2013 with the design, grading, and foundation work, followed by construction on the casino and the hotel beginning in 2014. The Innovation Group is proud to have been part of this Harrah's Cherokee Valley River Casino & Hotel's evolution from its infancy with the initial market assessment.



On September 28, 2015, the much anticipated and long awaited Harrah's Cherokee Valley River Casino & Hotel will open for business. Located in the southwest corner of the state just minutes from downtown Murphy, North Carolina, the casino will provide a second, closer gaming alternative to markets such as Knoxville, Chattanooga, and downtown Atlanta, all of which are within approximately two hour's drive from the facility. Set on 92 acres of land high on a hill, the facility will enjoy excellent 360 degree views of the Nantahala National Forest.

Upon opening, the development will include 50,000 square feet of casino space housing over 1,000 slot machines and 70 table games. The hotel, which will contain 300 upscale boutique rooms in a seven-story building, will surely take advantage of the breathtaking views. In terms of food and beverage, the facility will provide five dining outlets featuring a variety of food offerings. Overall, the initial development is expected to inject 900 plus jobs into the county/region.

We are proud to celebrate the opening of the Harrah's Cherokee Valley River Casino & Hotel with the Eastern Band of the Cherokee Nation and we look forward to hearing of their success.



COMING IN 2016 – GRATON CASINO AND HOTEL

by Christopher Irwin

The Innovation Group has been involved with Station Casinos, Inc. (Stations) since they first started looking to develop a casino in Sonoma County, California with the Federated Indians of Graton Rancheria (Graton). We were commissioned by Stations in 2008 to perform a gaming market assessment for two development scenarios and analyze it based on different levels of competition. The two development options couldn't have been farther apart. Option 1 was a standalone casino with small associated amenities, while Option 2 was a complete casino resort with attached hotel, spa, pool, banquet space, and entertainment. We helped them to identify their key competition in the market, to find their target markets, and to forecast potential revenues for each scenario. Then in 2012, The Innovation Group completed a third study for Stations for a new scenario that eventually became the Graton Resort & Casino.

Fast forward to 2015 and Graton announced on September 2 that they broke ground on the \$175 million dollar expansion to complete the resort. The expansion will include a 200-room hotel, a full service spa, meeting and convention space, and a pool area. Graton expects the expansion, that will create 1,000 short-term jobs and 150 permanent jobs, to be finished in 13 months with a grand opening near the end of 2016.

Along with Graton, Stations, and the community, we are happy to have been a part of this process since the first stages of development and we look forward to seeing the completed Graton Resort, Casino, & Hotel.

EMPLOYEE FEATURE



MICHAEL VANASKIE

Senior Analyst

The Innovation Group is pleased to introduce one of our most recent hires, Michael Vanaskie. Michael joined the company in April of 2015 and currently serves as a Senior Analyst. While Michael has only been with the company for a short time, he has already been an integral member of numerous project teams. Michael has worked with both domestic and international clients, maintaining a focus on the Asian gaming markets.

"I am very excited to have the opportunity to join The Innovation Group and contribute to the company's continued success," quotes Michael. "I was drawn to the company's expertise in the exciting, constantly evolving industry that is gaming. The fact that I was brought on to focus on the Asian gaming markets—which are arguably the most opportune gaming markets in the world—was an added bonus."

Michael believes that The Innovation Group has the capabilities and expertise to deliver value added services to numerous ongoing and future developments. He is committed to increasing the company's exposure throughout the Asian markets as the gaming industry continues to develop and mature in the region.

Michael brings a solid foundation of financial, analytical, and research abilities to his role as Senior Analyst. Projects Michael has worked on have covered a diverse array of scopes, clients, and geographies—ranging from full support for an operator's preliminary gaming license bid to an Asian government, to a feasibility study for a hotel expansion in Southern California.

Michael's work at The Innovation Group is complemented by his past employment in the investment management industry, where he held a variety of research-oriented roles. Michael began his career as an equity research analyst for an asset management firm based in Pennsylvania. Here, Michael provided in-depth research on publicly traded consumer companies; this included meeting with executive management teams, analyzing competitive environments, reviewing financial statements, constructing financial models, and offering recommendations to portfolio managers. During his time as an equity research analyst, Michael was an essential part of over \$50 million in direct investment decisions. Most recently, Michael served as an investment analyst for a Denver, Colorado-based investment management firm. In this role, Michael's primary functions involved conducting manager due diligence and asset class research, directly contributing to the management of \$1 billion of the firm's \$4 billion in assets under management. While Michael enjoyed the challenges and learning opportunities these roles presented as well as the dynamic environment of the investment industry, he felt like something was missing from his work.

"I spent a lot of my time in the investment industry analyzing other businesses and making recommendations to my employers based on this analysis," says Michael. "I always felt a disconnect from the companies I was evaluating. I could find areas for improvement in their business strategy or product design, but rather than relaying my findings directly to the company, I would deliver them to my managers as potential opportunities or weaknesses."

A transition to a consulting role was a logical step forward in Michael's career. "I truly enjoy delivering my recommendations directly to the clients we work with at The Innovation Group," explains Michael. "Having the ability to help our clients overcome their challenges and accomplish their goals is very fulfilling."

Michael graduated summa cum laude from Washington College with a Bachelor of Arts degree in Economics and a minor in Justice, Law, and Society.

To contact Michael, please email mvanaskie@theinnovationgroup.com

EMERGING LEADERS OF GAMING™

ANNUAL "40 UNDER 40" AWARDS AT G2E



EMERGING LEADERS OF GAMING

Emerging Leaders of Gaming™, a program designed to turn today's young executives into tomorrow's industry leaders, was formed by The Innovation Group in 2012 as a means of giving young professionals that extra advantage in the already competitive gaming, entertainment, leisure, and hospitality industries. As GGB Magazine continues to publish G2E's and the AGA's year-long series, "40 Under 40", The Innovation Group and Reed Exhibitions continue to host annual networking events at G2E since the launch of Emerging Leaders. This year is no exception, as we co-host the inaugural "40 Under 40" Awards while offering tomorrow's industry leaders invaluable networking opportunities. See http://theinnovationgroup.com/emerging_leaders.asp for more information.

EMERGING LEADERS NETWORKING EVENT

Wednesday, September 30

5:30 P.M. - 7:30 P.M.

The Bourbon Room at The Venetian

Attend the Emerging Leaders Awards with this year's featured guest, Robert J. Soper, president of the Mohegan Tribal Gaming Authority. Don't miss the chance to network with other young industry leaders as the "40 Under 40" winners are announced.



CONSUMER BEHAVIOR

CONSUMER BEHAVIOR IN THE GAMING INDUSTRY?

Survey Says...

by Christopher Irwin

The Innovation Group recently completed a national gaming survey entitled, *Consumer Behavior in the Gaming Industry*, to gauge the effect of the current economy on the U.S. gaming industry and to understand how behaviors may have changed since our previous 2004 study entitled *Profile of American Gamblers*.



This article highlights a snapshot of some of the data we gathered for online gaming in particular, though the breadth of data that we gathered reached much further than this. Note that all of our data gathered reveals a tremendous amount of information based on place of origin, region, and all demographics, including age, race, income, and education level, allowing us an understanding of gaming behaviors on a more granular level. The questions that we asked can be viewed on our website for those interested in attaining a customized snapshot of your area of interest. Please note that only those who gambled in the last 12 months participated in the survey.

Online Gambling

Technology brought around the advent of online gaming, which can appear in many forms ranging from traditional online slots or table games to social media games and fantasy sports. Of those surveyed nationally, approximately 27% indicated that they gambled using traditional casino games online, while 60% responded that they played online games or social media games for free, and 37% responded that they played online games or social media games for real money. The introduction of social media games and the significant growth of fantasy football, now a multi-billion dollar industry, play a major role in these figures. Not surprisingly, these results vary greatly when comparing place of origin or any of the demographic factors.

The growth of online gaming has always brought up the question of how it affects the brick and mortar casinos. Will it increase spending? Will it take visits away from casinos? It is realistically too early to tell, but based on survey results, online gaming seems to be helping rather than hurting the brick and mortar casinos.

While some gamers choose to visit and spend their gaming budget at land based casinos less due to their ability to play these online games, more choose increased spending and visitation of land based casinos based on their ability to play these types of games and cross marketing initiatives. Fantasy sports seem to have the largest impact on land based casinos, as 40% of participants state that they wager more, with 37% making more trips. Meanwhile, only 5% of participants wagered less and 7% visited land based casinos less, resulting in the largest net positive impact.

Compared to land based gaming, online gaming is still in its infancy. It will take more time to truly understand how online gaming of any type truly affects the traditional land based casinos, but at this point, it seems to be an added advantage. The Innovation Group believes that there is a shift in the gaming perspective of the population as society has gotten younger with the number of Millennials surpassing the Baby Boomers in terms of overall population. These same Millennials that grew up with modern day interactive video games and technology now want to see it moved to the casino.

To further explore this topic or the behaviors of the modern day gamer, please contact The Innovation Group's Vice President of Research & Analytics, Erika Meeske, at emeeske@theinnovationgroup.com. Again, based on sample size, data can be provided for a wide range of segments, including age, gender, and region. Click [here](#) for a list of all questions asked by The Innovation Group.

ICYMI

(IN CASE YOU MISSED IT)

Recently Published Articles by TIG Staff

- **GGB, September 2015: "Giving Credit Where It's Due"**, about Jonathan Bell, Vice President of Cage & Casino, Operations, Las Vegas Sands - by Erika Meeske, VP of Research & Analytics, The Innovation Group
- **GGB, August 2015: "Setting Systems"**, about Benson Fok Io Teng, Director of Business Systems, SJM Macau - by Michael Vanaskie, Sr. Analyst, The Innovation Group

Upcoming Events & Conferences

RACE (Russian Affiliate Congress & Expo)
Oct 8-9
Moscow, Russian Federation
race-expo.ru/ru/?language=en

New York Council on Problem Gambling Annual Conference
Nov 4-5
Albany, NY
nyproblemgambling.org/conference/

BEGE (Balkan Entertainment & Gaming Expo)
Nov 24-25
Sofia, Bulgaria
www.balkangamingexpo.com

IMGL Autumn Conference
Oct 14-16
Lima, Peru
www.gaminglawmasters.com/

Annual TribalNet Conference
Nov 2-5
Austin, TX
www.tribalnetonline.com/

Russian Gaming Week
Nov 25-26
Minsk, Belarus
minsk.rgweek.ru/?language=en

NCAI (National Congress of American Indians) Annual Conference
Oct 18-23
San Diego, CA
www.ncai.org/conferences-events

SAGSE Buenos Aires
Nov 11-13
Buenos Aires, Argentina
www.monografie.com/sagse_bsas/ingles/index.php

Annual Global Symposium on Racing & Gaming
Dec 7-9
Tucson, AZ
ua-rtip.org/symposium/

AIGA Expo (Arizona Indian Gaming Assoc.)
Oct 28-30
Scottsdale, AZ
www.azindiangaming.org/aiga-expo/2015/

Macau Gaming Show
Nov 17-19
Macau, China
www.macaogamingshow.com/mgs2015/en

NIGA Mid-Year Conference
Nov 2-5
Ft. Lauderdale, FL
www.indiangaming.org/mid-year/

EEGS (Eastern European Gaming Summit)
Nov 23-24
Sofia, Bulgaria
www.eegamingsummit.com

Additional Hires & Promotions

- **Joseph Dimino** has been promoted to Senior Analyst at the Orlando office.

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