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Vegas: Economy's No Fun Now, but We Still Are

Hotels Are Spending Even as Revenue and Visitor Numbers Are Slipping

By [Marissa Miley](#) and Abram Sauer

Published: [November 10, 2008](#)

NEW YORK (AdAge.com) -- In the city of extremes, both high-rolling hedonism and marketing-spending caution are reigning over Las Vegas.

In the past decade, Vegas has tried to remake itself into a family-style destination by promoting entertainment such as retail, spas, celebrity chefs, golf and marquee shows such as Cirque du Soleil.



'Stop your whining and have a great time': David & Goliath Chief Creative Officer David Angelo said New York-New York's campaign comes from an honest voice.

That succeeded in making the revenue model less dependent on gambling. In 2007, non-gaming revenue for Las Vegas casinos was 52.1% of the total compared with 44.3% 10 years ago, according to the Nevada Gaming Control Board. But it also made the bastion of bright lights, wealth and escapism more vulnerable to recession, because unlike table games or slots, the new model involves long-term fixed costs not easily reconfigured to respond to demand.

And in a city all about numbers, the numbers aren't good. According to the Las Vegas Convention and Visitors Authority, year-over-year visitor volume was down 1.5% from August 2007 to August 2008, the most recent month for which data are available. In that same time, gaming revenue on the Strip was down roughly

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7%, and convention attendance was down about 22%. Occupancy levels slid nearly 3%, but the average daily room rate was down more than 15%.

Amid all this turmoil, a number of new hotels and casinos -- including some high-end ones that reap 60% or more of their earnings from things other than gambling -- will soon open. And to get visitors in the house, the industry is trying everything from direct marketing, events, loyalty programs and stunts to a creative pitch that harks back to the old Las Vegas: To hell with the economy; come have a good time.

This fall, the 2,000-room New York-New York Hotel & Casino, operated by MGM Mirage, rebranded for the first time in five years with the help of independent David & Goliath, Los Angeles. The goal was to channel the no-bull voice of the real New York City and build a strong identity for the property. The new tagline: "Shut up & play."

"New York-New York in its traditional sense is about an unapologetic approach to life," said David Angelo, chief creative officer at David & Goliath. "[Shut up & play] comes right out of an honest voice. Stop your whining and have a great time."

Outdoor focus

Jessica Cipolla, executive director of corporate accounts at MGM Mirage and MGM Mirage advertising, estimated that 60% of its marketing efforts went to outdoor advertising, 25% to radio and the remainder to print, including People magazine. New York-New York concentrated on outdoor advertising because it wanted to deliver on the "loud voice" of the campaign.

According to Ms. Cipolla, the financial downturn did not catalyze the rebranding. "The brand has been pretty silent for years," she said. But she noted that the economic climate actually could help New York-New York. "When people aren't advertising, it's time for the smaller brands to come out and be strong."

Mr. Angelo said he had a limited budget for the project, but in hard times, many brands cut back on spending and stay conservative in their advertising. "The brands that do well are the challenger brands that have a strong voice and are unafraid to say certain things during tough times."

Jeff Simpson, executive editor of In Business Las Vegas, said a lot of Vegas properties aren't necessarily spending more, but they are spending more wisely. "In general I would say that overall advertising spending is down, while targeted marketing by direct mail to established customers is up," he said. Mr. Simpson added that casinos are more likely to tap loyalty-program members than throw out campaigns to attract first-timers.

The 4,000-room Aria resort and casino due to open in 2009 in MGM Mirage's CityCenter, a vast "metropolis" spanning 67 acres of the Las Vegas Strip, will go the new-media route. Alan Feldman, senior VP-public affairs at MGM Mirage, said when it comes to marketing Aria and its environs, Mirage is "watching our dollars very carefully." He said the marketer "will be very aggressive in new media" due to its cost-effectiveness and targeting abilities, though traditional media also will be used. Mr. Feldman declined to discuss specifics but said the in-house corporate agency will be "pretty involved" in marketing as well. The Richards Group, Dallas, is assisting in the brand development of the casino-resort.

"Opening a new hotel in down times is never easy," he said. But "the resiliency in the Las Vegas market is still significantly higher

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than many top markets in the rest of the country."

Less-squeezed customers

Some properties are more resilient than others. "There are only a dozen or so resorts where non-gaming revenue surpasses gaming win. Those are the best places, with high room-rates and lots of rooms, big average restaurant checks and high-priced show tickets: Wynn, Bellagio, Caesars Palace, Venetian, Palazzo, Mandalay Bay, Mirage, MGM Grand, Luxor, Treasure Island, Rio and Paris," said Mr. Simpson. "Those top properties are still performing better than their down-market competitors. Perhaps the customers of the top properties haven't been squeezed as much as less affluent visitors."

That's why the \$1 billion M Resort Spa & Casino, opening in March 2009 from Anthony Marnell III -- son of legendary Vegas architect and developer Tony Marnell -- isn't doing much advance marketing. Mr. Marnell, whose father owned and built Rio before selling it to Harrah's Entertainment Corp. in 1998, is instead touting the "high-touch, low-tech" face of what he calls this new "very sexy yet conservative hotel" that has 400 rooms and emphasizes hospitality, not size.

It's positioning is clear: service, service, service. At the M Resort, gaming will be "a byproduct of what we offer," said Mr. Marnell. "The big selling point is we're selling quality over price," he said, referring to the hotel's proximity to the Strip, and its restaurants and meeting spaces. "So far, it's holding on; it's steady."

Marketing to date has consisted of a blimp called the M Lightship flying over the Las Vegas Strip and beyond on Oct. 1. In January, the hotel will begin a flight of traditional advertising on radio, print, the web and TV, according to Rina Foster, senior account executive at Preferred Public Relations & Marketing, the agency handling the business.

One reason Vegas casinos need not pour too much into advertising is a traditional reliance on the Las Vegas Convention and Visitors Authority to do it for them. And just how much do Vegas casinos count on the organization to attract visitors? "A lot," said Mr. Simpson. "The LVCVA citywide marketing and advertising is crucial to keeping the market at top of mind here and internationally."

Financial relief

In June, R&R Partners, Las Vegas, launched "Crazy times call for crazy fun" for the LVCVA in response to the bleak economic forecast. The campaign focused primarily on TV and the internet to elicit a fairly immediate reaction, according to Randy Snow, exec VP-creative director. The point of the campaign "is to get people into the mind-set of: Even though things are berserk out there, it doesn't mean that you've lost your need or desire or ability to have some fun," said Mr. Snow. "All we can do is remind them we're here and we're fun."

Terry Jicinsky, senior VP-marketing, said the effort evolved from "Vegas right now," which has a "more retail-focused advertising campaign" that "implemented a more direct call to action for visitors." He said the group has "increased advertising in key feeder markets, and we have also implemented aggressive sales and public-relations efforts in those markets in order to maintain Las Vegas' visibility."

In other words, a hard sell.

The question is whether it all will



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work. Gary Border, president of Marketing Results, a company that works solely with casinos in the U.S. and Canada, said he thinks it will. He said in trying times like these, the best casinos "get



Back to earth: M Resort soon will be advertising more traditionally.

very personal and communicate frequently with their customer base." They also explore dynamic and inexpensive media through which to advertise, such as internet, e-mail and texts.

He said that the LVCVA "Crazy times call for crazy fun" campaign is edgy, just like Vegas, and highlights the "perfect escape" that casinos provide from the real world. "The [M Resort] blimp is a great idea," he added. "You've got a moving billboard, a way to get a message out there that's memorable."

To make a bigger impact, Mr. Border said casinos need to drive customers to digital media, where they can have immediate effects and collect measurable media. They also need to understand that most people go to casinos for the experience, not the money. Despite a down economy, casinos shouldn't cut back on this, particularly for their most valuable customers.

"Experience is everything," he said.

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