

# **Evaluation of the Ancillary Non-Gaming Amenities Proposed by Lakes Entertainment for the Gaming Facility Located in the South Central Zone, Sumner County, KS**

Prepared By:

Dennis Conrad, President and Chief Strategist

Scott Cooper, Lead Project Consultant

Raving Consulting Company

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## Challenges

1. Becoming familiar with the 2008 history of the Kansas casino license bid process and the kinds of proposals (especially the non-gaming amenity components to the proposals) that were put forward in 2008.
2. Not duplicating any of the voluminous information already compiled or the extensive consulting work already performed in 2008.

## Challenges

3. With the number of bidders quickly reduced from five bidders (when Raving was first engaged) to two (one each in the Northeast and South Central Zones), it became necessary to create an alternative method of assessing non-gaming amenity value for the State of Kansas, with comparisons BETWEEN bidder packages no longer possible.

## Challenges

4. The previous PROBE consulting report, while full of some instructive data, did not appear to offer the Board enough position-taking consulting opinions that would strongly suggest which gaming amenity packages might be best for the State of Kansas (answering the question as so well put by one Board member, “What decision would you make if you were us?”).

## **Focus**

1. The breadth and scope of market
2. How the non-gaming amenities proposed create and promote tourism
3. Jobs creation
4. How the non-gaming amenities proposed translate into maximizing gaming revenue

## The Raving Consulting Team

**Dennis Conrad** – Founder, President, and Chief Strategist of Raving Consulting

Dennis has 34 years of gaming industry experience and has held a number of senior level positions for major gaming companies. He is considered one of the gaming industry's marketing experts and preaches common sense, meaningful marketing principles and customer focus.

Dennis' company, Raving Consulting, has worked with scores of casinos around the world over the past 11 ½ years. Raving specializes in casino marketing, casino customer service program development, strategy development, casino conferences, and access marketing for gaming vendors. Raving has executed numerous marketing assessments for casino companies and helped many of them develop strategic marketing plans, which often have included how to leverage existing casino/hotel amenities.

# The Raving Consulting Team

**Scott Cooper** – Consultant

Scott has almost 30 years of experience in the gaming industry with extensive expertise in opening nine start-up projects in six new jurisdictions, as COO of several gaming companies, and he has worked at many properties as General Manager, responsible for the overall operation of these land based, riverboat, racino, and Native American casinos.

All of the start-up experience has been in a "locals" type environment. In addition, Scott has led the operational development of four major expansions of existing casinos, ranging in infrastructure investment from \$110m to \$400m.

# The Raving Consulting Team

**Scott Cooper** – Consultant (continued...)

Inherent with each start-up and existing casino expansion project was the need to provide hands-on leadership, the creation/execution of the business plan, hiring and training of the management staff, development of the internal controls, the establishment of a working relationship with local governments and state regulatory agencies, and the responsibility to create and execute each property's marketing programs.



## Methodology

1. Gather Information
2. Decide what information was most pertinent
3. Draw consulting insights
4. Share the consulting insights in a simple, clear, logical way

# Raving Minimum

Since there is only one bid for the South Central Zone, Raving will address the critical questions of this project by first determining what, in our opinion, the basic core level of amenity development (the Raving Minimum) should consist of, as follows:

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## **Raving Minimum**

- Hotel – A hotel of at least 100 rooms with a level of finish consistent with the mid-range hotel product in the area. The hotel should include at least a small sized fitness center.

## **Raving Minimum**

- Food – A mix of food product that provides a sufficient variety of outlets to offer customers food options. Also, the quality of food product should be such that customers will stay on site through a meal period to maximize their time at the facility. At a minimum, this food product should include a buffet (250 seats), a higher end product such as a Steakhouse or Italian restaurant (80), a casual outlet that provides breakfast, lunch, and dinner (100), and a deli type outlet (30). Food should be available 24 hours per day.

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## **Raving Minimum**

- Beverage – The casino should have a minimum of 2 bars. One should be large enough to be able to offer live entertainment. One of the bars should have bar top slot machines.

## **Raving Minimum**

- **Convention/Group Meeting Space** – The facility should have convention/meeting space of sufficient square footage to accommodate a minimum of 400 to 600 customers theater style and approximately 350 customers for a sit down dinner event. This roughly equates to building convention/meeting space totaling approximately 7,000 sq. ft. This space should also be flexible to provide smaller break out rooms, either in the main ballroom area or in dedicated smaller rooms adjacent to the main ballroom. If this space is to be used as a multi-purpose venue, then the size of the ballroom should be increased to accommodate a minimum of 1,000 customers or 13,000 sq. ft.

## **Raving Minimum**

- Pool Area – The facility should have a pool area.
- Parking – The facility should have a minimum of 1,800 parking spaces for customer self -service parking, 250 spaces for valet, 350 for employee parking, and a portion of the customer parking should be able to accommodate RV parking.
- Retail /Gift Shop – The facility should have dedicated retail space of a minimum of 600 sq. ft.

# Raving Minimum Chart

Amenity	Raving Minimum Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	0	
Food/Restaurants (4)	0	
Casino Bars (2)	0	
Convention/Mtg. Space (7,000 sq. ft.)	0	
Other Amenities – Parking	0	
Other Amenities – Retail (600 sq. ft.)	0	
<b>Total</b>	<b>0</b>	



# Chisholm Creek Amenity Chart

Amenity	Phase I - Built as proposed Chisholm Creek Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	- 3	Not planned in Phase I
Food/Restaurants	- 1	# seats low, need 1 more outlet
Casino Bars	- 2	+ 1 for service bars
Convention/Mtg. Space	- 3	Not planned in Phase I
Other Amenities - Parking	+ 1	More than Raving Minimum
Other Amenities - Retail	+ 1	Larger than Raving Minimum
<b>Total</b>	<b>- 7</b>	

# Potential Amenity Chart

Amenity	Potential Amenity Score For Chisholm Creek Project	
	"Score" -3 to +3	Comments
Hotel = 100 Rooms	+ 0	Assume well appointed
Hotel > 200 Rooms	+ 3	Assume well appointed
Food /Restaurants	+ 3	w/add'l outlets, seating
Casino Bars	+ 3	w/at least 2, live entertain
Convention/Mtg. Space	+ 2	w/at least 15k sq. ft.
Other Amenities - Parking	+ 3	With parking structure
Other Amenities - Retail	+ 2	Assume add'l stores
Entertainment Venue	+ 2	1.8k seats, multi-purpose
RV Park	+ 2	50 space, full hookups
Truck Parking	+ 2	Room for 30-50 trucks
Spa - Fitness	+ 2	w/8 rooms, 600sf fitness
Pool	+ 1	Indoor preferred
<b>Total</b>	<b>+25</b>	

## **Potential Marketing Impacts**

As important as the scope and quality of casino non-gaming amenities are to a successful casino development project, so too is effective marketing of those amenities. Great amenities with lousy marketing will not optimize visitation or gaming revenue. Likewise, a paucity of amenities, or a casino with sub-standard amenities, can be somewhat overcome by excellent marketing, especially if it includes outstanding casino customer service.

## **Potential Marketing Impacts (Continued...)**

Thus, Raving felt it was instructive to examine the stated marketing intentions of Lakes Entertainment as expressed in its responses in the section “Additional Information” of its submitted Performance Matrix, as well in Lakes’ comments in its bid presentation to the Board on September 16, 2009. The goal here was to attempt to determine, as a positive or negative potential, marketing impact on Lakes’ proposed non-gaming amenities. Knowledge of Lakes’ current amenities and marketing strategies at its other casino properties, both current and past, also contributed to the discussion that follows.

# The Raving Marketing Matrix

## **Marketing Elements Evaluated**

- Pre-opening Marketing Spend
- Brand
- Marketing Reputation
- Database Marketing/VIP Player Focus
- Integrated Marketing
- Food as a Marketing Tool
- Tourism and Hotel Partnerships
- Bus Marketing
- Advertising Efficiency
- Listening to Guests
- Other Factors

## Marketing Elements Evaluated

**Pre-opening Marketing Spend** – is the marketing spend adequate and targeted to create awareness of the new casino facility, including its amenities?

**-1 Inadequate** – marketing spend too little (or too much and wasteful) or not focused on appropriate opening goals

**0 Adequate** – marketing spend reasonable and mostly focused on appropriate goals for opening

**+1 Superior** – marketing spend reasonable, measurable and highly focused on pre-opening goals

# **Discussion of Lakes Entertainment Marketing Plans for Chisholm Creek Casino Resort**



## **Pre-Opening Marketing Spend**

Lakes' expressed pre-opening marketing budget is adequate at \$1.05 million. The focus on potential employees, potential customers and tourism industry insiders is particularly appropriate. The building of a pre-opening website is positive as are Lakes' plans to use a pre-opening mix of online, direct and new media. Most importantly, Lakes plans to focus on "known gamblers" and has an outstanding history of new casino openings including its most recent two openings at Red Hawk Casino in California and Four Winds Casino in Michigan.

**Raving Marketing Matrix Grade = +1**

## Brand

Lakes would ostensibly be entering the Chisholm Creek project with no real recognizable brand identity in the area, either as “Lakes” or “Chisholm Creek.” Lakes does, however, recognize its need to build an effective brand and addresses that adequately in its post-opening marketing discussion.

**Matrix Grade = 0**

## Marketing Reputation

Lakes (and its predecessor, Grand Casinos) has an outstanding marketing reputation in the gaming industry. It is known for focusing on marketing that matters, a management “team” approach to marketing, and a willingness to make appropriate marketing changes when necessary to achieve desired marketing results.

**Matrix Grade = +1**

## **Database Marketing/VIP Player Focus**

Lakes shows an uncommon appreciation of database marketing and VIP player segmentation through its stated pre-opening database building, loyalty club emphasis, use of its high end restaurant for VIP gatherings, database analysis focus and other elements that highlight understanding of the 20/80 rule (20% of customers account for 80% of revenues).

**Matrix Grade = +1**

## Integrated Marketing

Lakes keenly understands marketing as a “way of doing business” and its stated goal of “continually training, and enforcing process improvement” pointedly speaks to effective integrated marketing. Lakes’ casino properties have been known for having excellent customer service and it should be assumed that Chisholm Creek would be the same.

**Matrix Grade = +1**

## **Food as a Marketing Tool**

Although Lakes has proposed to open with restaurant amenities less than the Raving Minimum, it can be assumed that the Lakes' food product will be high quality, based on Lakes history of having excellent food and the stated central role of food in Lakes' marketing discussion for Chisholm Creek.

**Matrix Grade = 0**

## Tourism and Hotel Partnerships

In its pre-opening marketing discussion Lakes speaks to communicating with “tourism industry insiders” and in its bid proposal presentation to the Review Board it mentioned providing shuttle bus service to Chisholm Creek from Wichita-area hotels. However, this falls short of a strong commitment to this marketing tool.

**Matrix Grade = 0**

## **Bus Marketing**

There was no overt mention by Lakes to creating charter bus programs for potential out of market visitors to Chisholm Creek (perhaps because of the lack of a hotel in the Phase I proposal), but Lakes successfully utilized charter bus programs at other properties in the past.

**Matrix Grade = -1**



## Advertising Efficiency

Lakes displays a keen understanding of the need for impactful advertising prior to a casino opening, the importance of using advertising to create a brand image and the need to utilize both new and traditional media in successful advertising campaigns. It has the reputation of using advertising intelligently to drive trial.

**Matrix Grade = +1**

## Listening to Guests

This is perhaps one of Lakes greatest strengths and is stated well in its marketing discussion. Lakes is known for using multiple methods of guest research (both formal and informal) to discover what its core customers are saying, and then using that information to improve performance and guest satisfaction.

**Matrix Grade = +1**

## Other Factors

In its proposal discussion and stated marketing plans, Lakes touched on a number of “other factors” that would indicate it understands “marketing opportunities.” One was a mention of the traveler on I-35 near Chisholm Creek (indicating an appreciation of directional and billboard signage). Another was the clear understanding its table game product and the marketing advantage it creates with the Oklahoma table game customer, where there are inferior “player banked table games.” It seems Lakes is very aware of “other factors” that might create marketing leverage for Chisholm Creek.

**Matrix Grade = +1**

# RAVING MARKETING MATRIX AS APPLIED TO LAKES ENTERTAINMENT AND ITS CHISHOLM CREEK PROPOSAL

Categories	Lakes Entertainment Score
Pre-Opening Marketing Spend	+1
Brand	0
Marketing Reputation	+1
Database/Player Development Focus	+1
Integrated Marketing	+1
Food	0
Tourism	0
Bus Marketing	-1
Advertising Efficiency	+1
Listening to Guests	+1
Other	+1
<b>TOTAL</b>	<b>+6</b>

## Raving Matrix Scoring Scale

**-4 to -11 Inadequate** – unlikely to achieve additional marketing impact on financial performance

**-3 to +3 Adequate** – likely to achieve an average, mostly adequate marketing impact on financial performance

**+4 to +11 Superior** – likely to achieve a superior marketing impact on financial performance

## Revenue and Jobs Comparisons as Related to Various Amenity Scenarios

Category	Total \$ Gaming Revenue	Hotel Revenue	Restaurant Revenue	Beverage Revenue	Retail Revenue	Entertainment Revenue	Number of Amenity Related Jobs			Total Jobs of Project
							Hotel	F/B	Retail	
Applicant-Phase 1 - 1st year, '13	\$ 121		\$ 10.4	\$ 2.0	\$ 1.3			240	5	876 (FTE)
Wells/Cummings avg. Phase 1 - 1st year, '13	\$ 154									
Wells/Cummings avg. w/Raving Minimums Phase 1 - 1st year, '13	\$ 161									
If Raving Minimums Were Built Phase 1		\$ 3.3 (100 rooms)	\$ 11.0	\$ 3.0	\$ 1.2	\$ 1.2	60	350	5	1,026 (FTE) (+150)
Applicant - 2015	\$ 130		\$ 11.2	\$ 2.2	\$ 1.4			241	5	880 (FTE)
Wells/Cummings avg. - 2015	\$ 174									
Raving Projections 2015		\$ 5.0 (150 rooms)	\$ 12.0	\$ 4.0	\$ 1.6	\$ 2.0	75	350	5	1,076 (+196)

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## **Consultants' Conclusions**

- Lakes Entertainment's proposed non-gaming ancillary amenity package for its Chisholm Creek project is weak and in its current proposed mode is likely to fall short of maximizing gaming revenue and tourism for the State of Kansas.

## **Consultants' Conclusions**

- The addition of a 100 room hotel, another restaurant and two casino bars (with modest entertainment) would greatly enhance the Chisholm Creek project's ability to maximize gaming revenue and tourism for the State of Kansas.



## **Consultants' Conclusions**

- Lakes Entertainment's marketing savvy and experience is a positive and likely enables Lakes to achieve somewhat more benefit from its non-gaming amenity package than what would otherwise be realized from a less impactful marketing program or philosophy.

## Consultants' Conclusions

- There appears to be some potential upside for Chisholm Creek from a tourism generation and revenue maximization perspective if it were able to attract and accommodate some of the many truckers passing near the facility, effectively implement a charter bus program targeting potential casino goers 100 miles away or further, or leverage its “real table games” (sort of an amenity) to steal Oklahoma table game market share.

## **Consultants' Conclusions**

- Without a more fully developed non-gaming amenity package than the one outlined by Lakes, the Chisholm Creek facility would likely be more at risk of losing market share should additional gaming be approved in the Wichita area or should significant non-gaming amenity development occur in existing Oklahoma casinos.

## Consultants' Conclusions

- In other gaming markets, the 21-35 year old customer base, while not having the disposable income of older casino customers, nonetheless have indicated a desire for more of an “experience” (concerts, lively table games, things to do, ability to “party,” etc.) in their casino visits – there appears to be a risk here that these young customers will be “disappointed” in the Chisholm Creek experience and its apparent lack of things to do other than to gamble.

## **Consultants' Conclusions**

- Lakes' past track record of quick non-gaming amenity build out (after opening its other casinos) is impressive and likely should merit some consideration as a future indicator of Lakes' possible future amenity addition intentions and speed of implementation for Chisholm Creek.

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**Thank You**