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LAS VEGAS sands corp.: pricing game in vegas

Seok-Woo Kwon, Won-Yong Oh, and Brooke Miskiman wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In 2016, MGM Resorts International (MGM Resorts) announced it would end its long-standing practice of providing free parking at its properties on the Las Vegas Strip. Caesars Entertainment also began charging for valet parking and self-parking at its Las Vegas resorts, and the Cosmopolitan Hotel announced it would start charging for parking in May 2017. In August 2017, Wynn Resorts, following the trend, announced it would begin to charge for parking at both its Wynn and Encore resorts.

In September 2017, Las Vegas Sands Corp. (Las Vegas Sands) announced it had no plans to charge for either valet parking or self-parking at its Las Vegas properties—the Palazzo, the Venetian Resort Hotel Casino, and the Sands Expo and Convention Center. Should the company follow the precedent set by its competitors and begin to charge for parking, or should the Las Vegas Sands remain an outlier, upholding the Las Vegas tradition of providing free parking?

THE hotel and casino industry in las vegas

Las Vegas was a city that thrived on reputation. In 2015, the city’s famed Las Vegas Strip, its resort properties, and its gambling, dining, and entertainment experiences drew in more than 42.3 million visitors.[[1]](#endnote-1) This was a record number of visitors to Las Vegas, and projections showed that these numbers were expected to continue to increase over the coming years.[[2]](#endnote-2) However, there had also been notable changes in visitor spending in the city.

The Las Vegas Strip, flanked by hotels and casinos, relied heavily on the gaming sector; however, the increasingly diversified nature of the Strip’s attractions created an environment that was transitioning away from gambling. The gaming sector—both the number of visitors who came to Las Vegas to gamble and the gaming wins per visitor—had been in a state of decline in recent years, even though it was still the cash cow that fed the city’s economy.[[3]](#endnote-3)

Las Vegas’s visitation levels were steadily increasing; visits to Las Vegas from 2010 to 2015 increased at a compound annual growth rate of 2.5 per cent (see Exhibit 1).[[4]](#endnote-4) The year-over-year increase from 2015 to 2016 was 1.8 per cent, and projections showed that these growth rates were expected to continue.[[5]](#endnote-5) According to a report by the Las Vegas Convention and Visitors Authority, 46 per cent of visitors to Las Vegas arrived via air, and 54 per cent arrived via ground transportation.[[6]](#endnote-6) At Las Vegas’s McCarran International Airport, passenger traffic increased nearly 5 per cent year over year from 2015 to 2016 (see Exhibit 2).[[7]](#endnote-7) The general trend among visitors to Las Vegas was a decrease in age, and an increase in diversity; visitors were younger and more diverse than in previous years, and the city also saw an increase in the number of foreign visitors in 2016 over previous years.[[8]](#endnote-8)

Las Vegas was a major gaming destination on both a domestic and an international scale. Diversification of the Las Vegas market resulted in increased competitiveness, and as the visitor demographics and revenue trends changed, so did the industry. In 2016, total gaming revenue was $6,346,059,000,[[9]](#endnote-9) down 0.4 per cent from the previous year.[[10]](#endnote-10) According to HVS Global Hospitality Services (Exhibit 3), a consulting company that specialized in the hospitality industry, gaming revenue for Las Vegas Strip properties continued to be generated largely by slot machines (48.2 per cent) and table games (48.5 per cent).[[11]](#endnote-11) The general revenue trend for the Las Vegas Strip was changing. In 2016, visitors were increasingly likely to visit the city for a vacation or pleasure, and were more likely to “take part in a variety of activities in Las Vegas, and to explore the areas in and around Las Vegas.”[[12]](#endnote-12)

Gaming activity—specifically, visitors who came to gamble and gambling wins per visitor—was declining slightly. Fewer visitors stated they gambled while in Las Vegas, and those who did gamble spent less time doing so than they had in previous years.[[13]](#endnote-13) Approximately 70 per cent of Las Vegas visitors gambled, and the amount of time these visitors spent gambling was at the lowest point it had been over the past five years.[[14]](#endnote-14) In 2016, visitors were attending casinos, but they were gambling at fewer of them. In other words, gambling activity and the transfer of money through gambling were occurring at fewer casinos.[[15]](#endnote-15)

In 2016, the number of visitors who attended shows during their stay in the city showed a slight decline, with just over 50 per cent of visitors attending shows.[[16]](#endnote-16) The revenue trends on the Strip were changing: visitors were spending more on lodging, food and drink, transportation, entertainment, and sightseeing.[[17]](#endnote-17) The shift to non-gambling and the diversification of the market were redefining Las Vegas as a world-renowned leisure destination.

**COMPANY: LAS VEGAS SANDS CORPORATION**

The Las Vegas Strip was flanked by hotels and casinos, and was dominated by four main resort companies—MGM Resorts, Caesars Entertainment, Las Vegas Sands, and Wynn Resorts—and other privately owned companies, such as Treasure Island and South Point (see Exhibit 4).

Las Vegas Sands was a developer of destination properties, and was active worldwide (for financial data, see Exhibit 5). The company’s properties included accommodations, gaming, entertainment, and retail experiences, as well as convention facilities and restaurants. The company’s properties on the Las Vegas Strip included the Palazzo; the Venetian Resort Hotel Casino; and the Sands Expo and Convention Center, the second-largest convention centre in the world when it opened in 1990.

At the company’s Las Vegas properties, the resort emphasized its convention and trade show business segments, which resulted in high occupancy rates throughout the week. Due to this focus, in 2015 approximately 71.6 per cent of gross revenue at Las Vegas Sands properties was derived from room, food and beverage, and other non-gaming sources.[[18]](#endnote-18)

THE competitors

Major competitors of the Las Vegas Sands included MGM Resorts, Caesars Entertainment, and Wynn Resorts (see Exhibit 6).

**MGM Resorts International**

MGM Resorts was a major player in the Las Vegas resort industry; the company owned and operated both casino and non-casino resort properties worldwide. MGM Resort’s portfolio of properties in Las Vegas included Bellagio, MGM Grand, Mandalay Bay, The Mirage, Monte Carlo, Luxor, Excalibur, New York-New York, and Circus Circus. On the Las Vegas Strip, MGM Resorts was a market leader, with more than 40,000 hotel rooms and more than 3 million square feet of convention and meeting space.[[19]](#endnote-19)

**Caesars Entertainment**

Caesars Entertainment was “one of the world’s most geographically diversified casino-entertainment companies.”[[20]](#endnote-20) It operated more than 50 resorts and casinos located throughout the United States and five other countries. These destinations included Las Vegas, Atlantic City, Lake Tahoe, Tunica, and the Gulf Coast.[[21]](#endnote-21) In Nevada, Caesars Entertainment properties included Caesars Palace, Flamingo Las Vegas, Harrah’s, The Cromwell, The LINQ Hotel & Casino, Paris, Planet Hollywood, and Rio.

In 2015, Caesars Entertainment filed Chapter 11 bankruptcy for its main operating unit, Caesars Entertainment Operating Company.[[22]](#endnote-22) As of 2017, after two years of bankruptcy proceedings, the company exited its $18 billion bankruptcy and planned on focusing on the restoration of the Harrah’s and Caesars brands, among others.[[23]](#endnote-23) Caesars Entertainment had become a symbol of a leveraged company. The company took on high levels of debt and struggled due to a decrease in gambling revenue, which left it unable to pay down its significant debt.[[24]](#endnote-24)

**Wynn Resorts**

Wynn Resorts developed, owned, and operated casino resort properties; these included its two main resort properties, the Wynn Las Vegas and the Wynn Macau. On the Las Vegas Strip, Wynn Resorts owned both the Wynn Las Vegas, a hotel and casino resort, and the adjacent Encore Las Vegas; both venues comprised a diversified resort property that featured guest rooms and suites, meeting and convention spaces, nightclubs, restaurants, and a large casino.

The two Las Vegas properties comprised 4,748 rooms, suites, and villas; 232 table games; and 1,866 slot machines. The amenities included 34 restaurants, three nightclubs, a beach club, swimming pools, a wedding chapel, and an 18-hole golf course. The Wynn resort also featured significant retail space, with 99,000 square feet of retail shops, including Chanel, Dior, Hermes, and Louis Vuitton, among others. [[25]](#endnote-25)

**Others**

Although four main players dominated the Las Vegas Strip, there were other gambling and resort properties both on and off the Strip. The Cosmopolitan, a luxury hotel and casino located along the Strip, was acquired in May 2014 by the Blackstone Group. The Westgate Las Vegas Resort and Casino, located just a block from the Strip, was owned by Westgate Resorts and operated by Navegante Group. The Westgate had nearly 3,000 rooms and suites, and approximately 95,000 square feet of gaming space.[[26]](#endnote-26) In addition, there were also Treasure Island Hotel and Casino, Tropicana Las Vegas, and Hooters Casino Hotel.

PRICING STRATEGY IN CASINO AND HOTEL INDUSTRIES

The hotel pricing structure in Las Vegas had traditionally included a room charge and a resort fee. The pricing in the hotel industry in Las Vegas had shifted toward a three-pronged structure: the published room charge, the resort fee, and the parking fee.

A resort fee was a mandatory, separate, and additional charge on top of the base room rate. Resort fees had been around since the 1990s; their traditional use was to pay for the “upkeep of high-end facilities at high-end resorts” such as tennis courts and beach clubs. However, their use had become more widespread in the past few years.[[27]](#endnote-27)

The resort fee was separate from the published or advertised room rate, and in many instances, hotels were booked in advance with a deposit. Visitors and guests might have assumed they were aware of the final price of the room, but upon arrival, they would be informed of the additional, mandatory resort fee. Resort fees were illegal in many countries, but as of 2017, the United States lacked specific legislation that either allowed or outlawed resort fees.[[28]](#endnote-28) One common criticism of resort fees was that they were usually unadvertised; guests might discover them by reading the fine print. Otherwise, they would be unpleasantly surprised to be informed of the additional fee when they checked in.[[29]](#endnote-29)

Resort fees in Las Vegas, specifically on properties along the Strip, averaged between $30 and $35 per night (see Exhibit 7). In the past, resort fees had increased several times; in 2016, two of the Strip’s biggest players, MGM Resorts and Caesars Entertainment, announced they would be increasing these resort fees.[[30]](#endnote-30) Instead of raising the advertised price of the room, several Las Vegas properties opted to increase the resort fee instead. The increase in resort fees, which took place in March 2017, was in addition to a county-wide hotel room tax, nearly an extra “1 per cent levy [that would] fund an NFL [National Football League] stadium and an expansion of the Las Vegas Convention Center.”[[31]](#endnote-31)

The growing prevalence of resort fees in recent years had resulted in a drastic cost increase to travellers, but became important sources of revenue for hotels and casinos. In 2015, resort fees cost travellers more than $2 billion, a $0.5 billion increase from the previous year.[[32]](#endnote-32) As of 2017, resort fees accounted for 17 per cent of the revenue of U.S. hotels.[[33]](#endnote-33)

**Parking Charges**

In June 2016, MGM Resorts announced it would begin charging for valet parking at all resorts, and for self-parking at all of its resorts on the Las Vegas Strip except for Circus Circus.[[34]](#endnote-34) Then, in November 2016, Caesars Entertainment also announced it would begin charging for parking; Caesars Entertainment-owned and -operated resorts would follow a similar strategy as that of MGM at all of its resorts on the Las Vegas Strip, excluding its off-strip property, Rio Hotel and Casino.[[35]](#endnote-35) In terms of the implementation of parking charges, there was a cascading effect on the Las Vegas Strip (Exhibit 7).

Resorts faced the decision of either charging for parking or honouring the tradition of free parking on the Las Vegas Strip. The four main players on the Strip, MGM Resorts, Caesars Entertainment, Las Vegas Sands, and Wynn Resorts, each took a different approach. The transition away from the time-honoured tradition of free parking on the Las Vegas Strip was “just a matter of time,” said Las Vegas observer Anthony Curtis.[[36]](#endnote-36)

When it came to parking on the Las Vegas Strip, drivers had a few options: using free self-parking or valet parking, or paying to use self-parking or valet parking. MGM Resorts led the way by charging for both self-parking and valet parking, and Caesars Entertainment did the same. MGM Resorts charged Las Vegas residents to park, while Caesars Entertainment offered free self-parking for Las Vegas locals. MGM Resorts had a two-tiered parking charge structure: its higher-end hotels, such as the MGM Grand, Bellagio, Aria, and Mandalay Bay, charged a higher parking fee for both self-parking and valet parking. Caesars Entertainment took a similar approach with a two-tiered parking fee scheme. Its higher-end resorts such as the Cromwell and Caesars also charged higher prices.

Wynn Resorts, owner and operator of the Wynn and Encore, began charging guests to park in their garages in August 2017.[[37]](#endnote-37) Its charge for parking remained competitive with the parking fees at higher-end properties owned by Caesars Entertainment and MGM Resorts. At Treasure Island, both self-parking and valet parking were free. Treasure Island was trying to capitalize on its complimentary parking as a marketing tactic to attract hotel guests and gambling.[[38]](#endnote-38)

Las Vegas Sands, owner of the Venetian and Palazzo, stated that it would not, and had “no plans to charge for parking,” both valet parking and self-parking.[[39]](#endnote-39) As of August 2017, at both the Venetian and the Palazzo, self-parking and valet parking remained free.

**The Decision Factors**

Hotels and casinos on the Las Vegas Strip were beginning to transition away from their long-standing tradition of free parking. MGM Resorts led the way; after announcing its intention to charge for parking, other Las Vegas resorts followed suit.

In the summer of 2016, MGM Resorts began charging visitors, but not residents, for parking at 11 of its hotel and casino properties on the Las Vegas Strip.[[40]](#endnote-40) However, a mere six months later, in December 2016, MGM Resorts announced it would in fact begin to charge Las Vegas residents for parking. In November 2016, Caesars Entertainment announced it would begin charging for parking; however, parking would remain free for Las Vegas residents who had a valid Nevada driver’s licence.[[41]](#endnote-41) George Markantonis, the president and chief operating officer of the Palazzo, the Venetian Resort Hotel Casino, and the Sands Expo and Convention Center, had no plans to change for parking. Both valet parking and self-parking remained free at the Venetian Resort Hotel and the Palazzo.

Markantonis was contemplating several implications of hidden fees such as the resort fees and parking fees. A consequence of parking fees was the rise of pricing-game situations. A report by the Obama Administration’s National Economic Council had detailed the implications of hidden fees. The report pointed to a burdensome and negative consequence of hidden fees as “follow-the-leader pricing.”[[42]](#endnote-42) Hotel companies were not allowed to coordinate prices because doing so was in violation of antitrust law. However, if some hotels set fees for parking and were able to maintain a lower published room cost, the introduction of parking fees, an additional revenue source, could become standard across the industry.

Nevertheless, Markantonis also saw the benefits of not following other players’ moves, which might have resulted in the increased attractiveness of his hotels and casinos.

**Customer Reactions**

The paid parking policy on the Strip faced significant backlash. While parking charges were common at hotels across the United States, especially in major metropolitan areas, in Las Vegas the move was met with intense criticism. Steve Sebelius, a columnist for the *Las Vegas Review-Journal*, stated, “Even the mob didn’t dream of charging people for parking on the Strip.”[[43]](#endnote-43) However, MGM spokesperson Gordon Absher said although they were prepared for backlash, “the level of backlash exceeded our expectations.”[[44]](#endnote-44)

The introduction of paid parking at numerous hotels on the Strip drew immense criticism from visitors and residents alike. Visitors and residents saw the added parking charge as a money grab. For visitors, it represented a significant additional charge on a per-night stay, one that was already inflated by a resort free, while residents saw the parking fees as a removal of a long-standing tradition to which locals had a “right.”

For example, for visitors, a hotel stay at the MGM Grand would cost an additional $47 (for self-parking) or $55 (for valet) per night (see Exhibit 7) on top of the advertised price, due to introduction of parking fees and the existing resort fee, which was $35 per night. A destination once known for its considerably affordable accommodations was changing, with resort and parking fees often exceeding the published nightly cost of the rooms.

**WHAT NEXT**

The Las Vegas Strip was changing. The gambling-centric business model that had been in place for decades was shifting, and the Strip began to “market itself as a destination for fine dining, shows with high-profile stars, A-level DJs at dance clubs and upgraded rooms.”[[45]](#endnote-45) The reinvention of the Las Vegas Strip was resulting in a change in tradition, including the tradition of free parking.

The decline of free parking in Las Vegas continued, and it was becoming more and more of a novelty. MGM Resorts, Caesars Entertainment, and Wynn Resorts had parking fees for both self-parking and valet parking. Except for a few other hotels (e.g., Treasure Island), Las Vegas Sands, which also owned the Venetian and the Palazzo, was the only major player to offer free valet parking and self-parking.

Markantonis was faced with a decision: would he remain an outlier among his competitors by continuing the Las Vegas tradition of offering free parking? Or would he follow in the steps of MGM Resorts, Caesars Entertainment, and Wynn Resorts? Would free parking give Las Vegas Sands a competitive marketing edge? Or should the company re-evaluate its parking plan?

Exhibit 1: las vegas visitors, 2005–2015

|  |  |  |
| --- | --- | --- |
| **Year** | **Total Visitors** | **Percentage Change from Previous Year** |
| 2005 | 38,566,717 | 3.2 |
| 2006 | 38,914,889 | 0.9 |
| 2007 | 39,196,761 | 0.7 |
| 2008 | 37,481,552 | (4.4) |
| 2009 | 36,351,469 | (3.0) |
| 2010 | 37,335,436 | 2.7 |
| 2011 | 38,928,708 | 4.3 |
| 2012 | 39,727,022 | 2.1 |
| 2013 | 39,668,221 | (0.1) |
| 2014 | 41,126,512 | 3.7 |
| 2015 | 42,312,216 | 2.9 |
|  | | |
| *Compound Annual Growth Rate (2005-2015)* | | *0.9%* |
| *Compound Annual Growth Rate (2010-2015)* | | *2.5%* |
|  | | |
| **Year-to-Date:** |  |  |
| September 2015 | 31,887,951 | - |
| September 2016 | 32,469,130 | 1.8% |

Source: Shanna Okada and Bomie Kim, “Las Vegas Casino & Hotel Market Outlook 2016,” *HVS Gaming Division*, November 21, 2016, accessed June 22, 2017, https://hvs.com/article/7865-las-vegas-casino-hotel-market-outlook-2016.

Exhibit 2: MCCARRAN INTERNATIONAL AIRPORT OPERATING STATISTICS, 2005–2015

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Passenger Traffic** | **Annual Average Compounded % Change from Previous Year** | **Annual Average Compounded % Change from First Year of Data** |
| 2005 | 44,267,370 | - | - |
| 2006 | 46,304,376 | 4.6 | 4.6 |
| 2007 | 47,729,527 | 3.1 | 3.8 |
| 2008 | 44,074,642 | (7.7) | (0.1) |
| 2009 | 40,469,012 | (8.2) | (2.2) |
| 2010 | 39,757,359 | (1.8) | (2.1) |
| 2011 | 41,481,204 | 4.3 | (1.1) |
| 2012 | 41,667,596 | 0.4 | (0.9) |
| 2013 | 41,857,059 | 0.5 | (0.7) |
| 2014 | 42,885,350 | 2.5 | (0.4) |
| 2015 | 45,389,074 | 5.8 | 0.3 |
|  | | | |
| **Year-to-Date:** |  |  |  |
| September 2015 | 33,875,343 | - | - |
| September 2016 | 35,585,107 | 5.0% | - |

Source: Shanna Okada and Bomie Kim, “Las Vegas Casino & Hotel Market Outlook 2016,” *HVS Gaming Division*, November 21, 2016, accessed June 22, 2017, https://hvs.com/article/7865-las-vegas-casino-hotel-market-outlook-2016.

Exhibit 3: REVENUE FOR LAS VEGAS STRIP PROPERTIES, 2005–2015 (in US$ thousands)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Total Gaming Revenue** | **% Change from Previous Year** | **Slot Machines** | **% Change from Previous Year** | **Table Games** | **% Change from Previous Year** | **Other\*** | **% Change from Previous Year** |
| 2005 | 6,031,252 | 13.1 | 3,170,703 | 10.7 | 2,653,550 | 15.7 | 206,999 | 19.4 |
| 2006 | 6,686,030 | 10.9 | 3,434,308 | 8.3 | 2,997,317 | 13.0 | 254,405 | 22.9 |
| 2007 | 6,825,212 | 2.1 | 3,501,997 | 2.0 | 3,091,195 | 3.1 | 232,020 | (8.8) |
| 2008 | 6,121,158 | (10.3) | 3,212,789 | (8.3) | 2,712,652 | (12.2) | 195,717 | (15.6) |
| 2009 | 5,546,896 | (9.4) | 2,807,051 | (12.6) | 2,560,937 | (5.6) | 178,908 | (8.6) |
| 2010 | 5,773,114 | 4.1 | 2,788,456 | (0.7) | 2,801,831 | 9.4 | 182,827 | 2.2 |
| 2011 | 6,065,746 | 5.1 | 2,886,994 | 3.5 | 3,010,648 | 7.5 | 168,104 | (8.1) |
| 2012 | 6,203,217 | 2.3 | 2,906,747 | 0.7 | 3,107,784 | 3.2 | 188,686 | 12.2 |
| 2013 | 6,498,360 | 4.8 | 2,911,865 | 0.2 | 3,398,204 | 9.3 | 188,291 | (0.2) |
| 2014 | 6,368,596 | (2.0) | 2,909,936 | (0.1) | 3,250,831 | (4.3) | 207,829 | 10.4 |
| 2015 | 6,345,059 | (0.4) | 3,061,695 | 5.2 | 3,076,933 | (5.3) | 207,431 | (0.2) |
|  | | | | | | | | |
| *Compound Annual Growth Rate (2005–2015)* | | *0.5* |  | *(0.3)* |  | *1.5* |  | *0.0* |
| *Compound Annual Growth Rate (2010–2015)* | | *1.1* |  | *1.5* |  | *0.5* |  | *5.4* |
|  | | | | | | | | |
| **Year-to-Date:** |  |  |  |  |  |  |  |  |
| September 2015 | 4,644,554 | - | 2,281,754 | - | 2,218,468 | - | 144,331 | - |
| September 2016 | 4,701,925 | 1.2% | 2,317,792 | 1.6% | 2,250,672 | 1.5% | 133,461 | (7.5)% |

Note: \*Other includes keno, race books, sports books, and card games. Numbers based on Las Vegas Strip properties with annual gaming revenues of at least US$1 million.

Source: Shanna Okada and Bomie Kim, “Las Vegas Casino & Hotel Market Outlook 2016,” HVS Gaming Division, November 21, 2016, accessed June 22, 2017, https://hvs.com/article/7865-las-vegas-casino-hotel-market-outlook-2016.

Exhibit 4: overview of las vegas hotel industry (as of 2017)

|  |  |  |  |
| --- | --- | --- | --- |
| **Hotel** | **Company** | **Property Profile** | **Description** |
| Circus Circus | MGM Resorts | * 3,763 rooms * 1,320 slots, 43 gaming tables | * Resort features circus acts and carnival-type games on the Midway; it has the largest permanent Big Top in the world |
| Excalibur | MGM Resorts | * 3,981 rooms * 1,217 slots, 52 gaming tables | * Three permanent shows * Designed as a “theme resort” intended to be family-friendly |
| Luxor | MGM Resorts | * 4,400 rooms * 1,069 slots, 58 gaming tables | * Three permanent shows and 29 retail stores * Blue Man Group |
| Monte Carlo | MGM Resorts | * 2,992 rooms * 1,172 slots, 65 gaming tables | * Street of Dreams shopping area with retail stores |
| MGM Grand | MGM Resorts | * 6,141 rooms * 1,685 slots, 128 gaming tables | * Features one of the largest gaming floors in all of Las Vegas * MGM Grand garden area hosts major sporting events and concerts |
| Mandalay Bay | MGM Resorts | * 4,752 rooms * 1,351 slots, 82 gaming tables | * The Shoppes at Mandalay Bay * Mandalay Beach pool |
| New York-New York | MGM Resorts | * 2,024 rooms * 1,254 slots, 72 gaming tables | * Features nearly a dozen bars and restaurants * Roller coaster; caters to a younger demographic |
| Mirage | MGM Resorts | * 3,044 rooms * 1,318 slots, 81 gaming tables | * Polynesian-themed resort * 1OAK nightclub |
| Bellagio | MGM Resorts | * 3,933 rooms * 1,915 slots, 145 gaming tables | * Fountains of Bellagio * Conservatory and botanical gardens * 14 restaurants |
| Planet Hollywood | Caesars Entertainment | * 2,496 rooms * 1,087 slots, 116 gaming tables | * The Mezzanine * AXIS Auditorium hosts major events and shows; Britney Spears’ “Piece of Me” Show |
| Caesars | Caesars Entertainment | * 3,755 rooms * 1,324 slots, 183 gaming tables | * “The Forum,” a 636,000 square foot shopping centre * The Colosseum at Caesars; hosts large events * Notable restaurants Nobu, Serendipity |
| Wynn | Wynn Resorts | * 4,748rooms * 1,866 slots, 232 gaming tables | * Together with the Encore (which is connected to the Wynn), it is the world’s seventh-largest hotel * Shows such as “Le Reve,” “Avenue Q,” others |
| Venetian | Las Vegas Sands | * 4,076 rooms * 1,204 slots, 170 gaming tables | * Four theatres, TAO nightclubs * The Venetian Grand Canal Shoppes |

Source: Created by authors based on each hotel and resort’s website.

Exhibit 5: financial data of las vegas sands corp., 2013/14–2016/17 (in US$ millions)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2016–17 | 2015–16 | 2014–15 | 2013–14 |
| **Income Statement Summary** |  |  |  |  |
| Gross Revenues | 12,196 | 12,414 | 15,426 | 14,494 |
| Net Revenues | 11,410 | 11,688 | 14,584 | 13,770 |
| Operating Expenses | 8,917 | 8,847 | 10,485 | 10,362 |
| Operating Income | 2,493 | 2,841 | 4,099 | 3,408 |
| Income before Taxes | 2,255 | 2,622 | 3,833 | 3,144 |
| Net Income | 2,016 | 2,386 | 3,588 | 2,955 |
| EBITDA | 3,640 | 3,925 | 5,138 | 4,422 |
| **Balance Sheet Summary** |  |  |  |  |
| Cash & Short-term Investments | 2,128 | 2,179 | 3,506 | 3,600 |
| Total Current Assets | 3,098 | 3,609 | 5,190 | 5,516 |
| Total Assets | 20,469 | 20,987 | 22,362 | 22,724 |
| Long-term Debt | 9,428 | 9,249 | 9,746 | 9,235 |
| Total Stockholders’ Equity | 6,177 | 6,817 | 7,214 | 7,655 |
| **Per Share Data** |  |  |  |  |
| Basic Earnings Per Share | 2.10 | 2.47 | 3.52 | 2.80 |
| Diluted Earnings Per Share | 2.10 | 2.47 | 3.52 | 2.49 |
| Cash Dividends Declared Per Share | 2.88 | 2.60 | 2.00 | 1.40 |
| **Operating Performance Summary** |  |  |  |  |
| Gross Margin (%) | 48.84 | 47.67 | 46.89 | 45.41 |
| Operating Margin (%) | 21.85 | 24.31 | 28.11 | 24.75 |
| Net Margin (%) | 14.64 | 16.82 | 19.48 | 16.75 |
| EBITDA Margin (%) | 31.90 | 33.58 | 35.23 | 32.11 |
| Inventory Turnover | 131.80 | 145.22 | 185.25 | 175.17 |
| Total Asset Turnover | 0.55 | 0.54 | 0.65 | 0.61 |
| Free Cash Flow/Net Income | 1.56 | 0.98 | 1.29 | 1.52 |

Note: EBITDA = earnings before interest, taxes, depreciation, and amortization.

Source: Las Vegas Sands Corp., *Annual Report 2016*, accessed June 25, 2017, https://investor.sands.com/ir-home/financial-info/annual-reports/default.aspx and Morningstar Financial.

Exhibit 6: financial data of Las vegas sands Corp. and its major competitors

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Las Vegas**  **Sands Corp.** | **MGM Resorts International** | **Wynn**  **Resorts** | **Caesars**  **Entertainment** |
| Revenue | 11,410 | 9,455 | 4,466 | 3,877 |
| EBITDA | 3,640 | 2,803 | 1,005 | (5,062) |
| Net Income | 1,670 | 1,101 | 242 | (2,997) |
| Earnings Per Share | 2.10 | 1.94 | 2.38 | (24.41) |
| Net Margin | 14.64% | 11.65% | 5.42% | –92.06% |
| Return on Assets | 8.06% | 4.13% | 2.15% | (26.35%) |

Note: Data represent the fiscal year ending December 2016; EBITDA = earnings before interest, taxes, depreciation, and amortization; Sales, EBITDA, and Net Income are shown in millions of U.S. dollars.

Source: MGM Resorts International, Las Vegas Sands Corp., Wynn Resorts Ltd., Caesars Entertainment, Morningstar; http://www.morningstar.com/stocks/XNYS/LVS/quote.html.

Exhibit 7: Resort fees and parking fees in las vegas (as of august 31, 2017)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Hotel Name** | **Company Name** | **Resort Fee** | **Parking Fee** | |
| **Self-Parking** | **Valet Parking** |
| Circus Circus | MGM Resorts | $27 | Free | $10–15 |
| Excalibur | MGM Resorts | $30 | $5-10 | $10–15 |
| Luxor | MGM Resorts | $30 | $5–10 | $10–15 |
| Monte Carlo | MGM Resorts | $35 | $5–10 | $10–15 |
| MGM Grand | MGM Resorts | $35 | $7–12 | $15–20 |
| Mandalay Bay | MGM Resorts | $35 | $7–12 | $15–20 |
| New York-New York | MGM Resorts | $35 | $7–12 | $15–20 |
| Mirage | MGM Resorts | $35 | $7–12 | $15–20 |
| Delano | MGM Resorts | $35 | $7–12 | $15–20 |
| Aria | MGM Resorts | $39 | $7–15 | $20–25 |
| Bellagio | MGM Resorts | $39 | $7–15 | $20–25 |
| Vdara | MGM Resorts | $39 | Not Available | $20–25 |
| Harrah’s | Caesars Entertainment | $30 | $5–8 | $8–13 |
| The LINQ | Caesars Entertainment | $30 | $5–8 | $8–13 |
| Flamingo | Caesars Entertainment | $30 | $5–8 | $8–13 |
| The Cromwell | Caesars Entertainment | $35 | $7–10 | $13–18 |
| Bally’s | Caesars Entertainment | $30 | $7–10 | $13–18 |
| Paris | Caesars Entertainment | $35 | $7–10 | $13–18 |
| Planet Hollywood | Caesars Entertainment | $35 | Free | $13–18 |
| Caesars | Caesars Entertainment | $35 | $7–10 | $13–18 |
| Rio | Caesars Entertainment | $30 | Free | Free |
| Wynn | Wynn Resorts Ltd. | $39 | $7–15 | $15–20 |
| Encore | Wynn Resorts Ltd. | $39 | $7–15 | $15–20 |
| Venetian | Las Vegas Sands | $39 | Free | Free |
| Palazzo | Las Vegas Sands | $39 | Free | Free |

Note: All dollar amounts are U.S. dollars

Source: Created by authors, based on company websites.

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