The Interplay of Gambling and Nongambling Entertainment at the Luxor Hotel/Casino

Prepared for
Circus Circus Inc.

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Table of Contents

Description *Page*

Table of Figures

Figure Number	*Description*	*Page*

Figure Number *Description* *Page*

I. EXECUTIVE SUMMARY

1. Research Purpose

The research findings shed light on whether and to what extent the nongambling entertainment contributes to the casino traffic by acting as a lure that attracts customers to visit the Luxor. The purpose of this study is to:

- Identify the role played by the Luxor's nongaming attractions in the overall entertainment mix of the hotel/casino.
- Build a customer profile of patrons who visit the Luxor's rides and attractions.
- Use hotel selection criteria, demographics, experiential satisfaction and gambling habits to comprise the dimensions of the profile.
- Describe the gambling preferences of rides and attractions patrons, in order to quantify the extent to which these customers are also customers of the casino.
- Segment the data by guests/nonguests and by weekday/weekend customers to provide comparative perspective.

2. Strategic Importance

The relationship between the gambling and non-gambling entertainment options within the hotel/casino is not well understood. Unanswered are several strategic questions with regard to managing and marketing the hotel/casino as a destination resort. In particular, it is unknown if non-gambling entertainment supports the revenues generated by the casino. Given that gambling income provides the primary revenue stream for the hotel/casino, it is the objective of this study to bring some quantitative analysis to bear on these issues by doing the following:

- identify the profile of rides and attractions customers
- quantify the satisfaction of customers with the individual rides and attractions
- chart the gambling preferences of the rides and attractions customers

3. Customer Profile Findings

- 77% have household incomes over $40,000.
- 77% are over age 35 years old.
- 14% brought children to Las Vegas.
- R&A patrons are typical Las Vegas vacationers.
- R&A patrons fall squarely within the Luxor's affluent target market segment.
- R&A patrons are more likely to travel with children than are average Las Vegas visitors.
- 82% R&A patrons also visit the casino.
- Entertainment that is new or novel has a strong appeal for R&A patrons.

4. Ride Satisfaction Findings

- R&A satisfaction levels vary significantly between individual venues.
- Availability of R&A influences the decision to visit or stay at the Luxor.
- R&A patrons link their satisfaction on the rides with their experience of the hotel overall.
- R&A satisfaction cannot be explained by demographic factors.
- R&A patrons may recommend a venue that they, personally, did not enjoy.

5. Gambling Preferences Findings

- R&A patrons gamble in the Luxor casino.
- Most R&A patrons play slots, video poker, black jack and craps.
- Guest/nonguest R&A patron segments gamble differently.
- R&A entertainment acts as a lure for the casino.
- The gambling preferences profile for the individual venues mirrors that for total R&A patrons.

6. Recommendations

1. *Continue commitment to nongambling entertainment attractions.*
    - Use primary research methods such as focus groups and surveys to further define critical issues and clarify customer preferences with respect to specific rides and attractions.
    - Enhance attractions that are perceived by R&A patrons as successful.
    - Diagnose sources of dissatisfaction with underperforming rides and take corrective action.

2. *Build awareness of rides and attractions to leverage their effectiveness in generating incremental revenues.*

- Utilize the customer, ride and gambling profiles defined in this study to guide future advertising and marketing campaigns.
- Market the newness, mystique and Egyptian theming of the hotel/casino outside of Las Vegas to attract guests to the Luxor.
- Advertise the attractions heavily within Las Vegas to draw nonguests to the hotel/casino.
- Revisit the strategy of marketing the hotel/casino as "family-friendly" especially with regard to higher income parents.
- Cross-promote the rides and attractions with each other and with the casino.

3. *Implement on-going market research to refine hotel/casino positioning, monitor shifts in customer preferences and gauge effectiveness of process and product improvements.*
   - Exploration of the hypothesis that nonguests who are drawn by R&A entertainment came only because of that entertainment. This would conclusively establish R&A contribution to incremental casino revenues.
   - Identify R&A awareness levels both inside and outside Luxor's physical grounds. This will help identify why potential patrons may not be attending the hotel/casino's nongambling entertainment venues. Findings could help shape future advertising and marketing campaigns.
   - Utilize Anderson School field study teams to gather, analyze and present research findings.

7. Reasons for Implementation

1. *Nongambling entertainment plays a significant role in defining the Luxor's appeal.*
   Patrons link their experiential satisfaction with the nongambling venues to their overall perception of the hotel/casino. Both guests and nonguests are drawn by the newness, mystique and Egyptian theming. The rides and attractions contribute to this appeal and removing them could very well undermine the hotel/casino's pioneering allure. To guests, the Luxor's appeal is due to its "new and mysterious" positioning and to nonguests, the rides reinforce that perception by the very nature of the new technology and story content with which they are designed. The relationship, therefore, between the Luxor's positioning and the attractions strengthens the expectations of guests and nonguests alike driving the potential for positive recommendations and powerful word of mouth advertising.
2. *The rides and attractions clearly contribute to the Luxor's revenue streams.*
   By drawing the current profile of upscale guests and nonguests to the hotel/casino the nongambling entertainment brings additional revenues to the hotel/casino. The Luxor, therefore,

must capitalize on this relationship. Leveraging its unique blend of gambling and nongambling forms of entertainment provides additional opportunities for the Luxor to generate revenues by broadening its appeal to a wider range of demographic and psychographic customer segments.

II. INTRODUCTION

1. Report Purpose

The purpose of this research is to identify the role played by the Luxor's nongaming attractions in the overall entertainment mix of the hotel/casino. A customer profile of patrons who visit the Luxor's rides and attractions forms the foundation for this analysis. Hotel selection criteria, demographics, experiential satisfaction and gambling habits comprise the dimensions of this profile. In particular, the study describes the gambling preferences of rides and attractions patrons, in order to quantify the extent to which these customers are also customers of the casino. Segmenting the data by guests/nonguests and by weekday/weekend customers provides comparative perspective. In summary, the research findings will shed light on whether and to what extent the nongambling entertainment contributes to the casino traffic by acting as a lure that attracts customers to visit the Luxor.

2. Strategic Questions

The relationship between the gambling and non-gambling entertainment options within the hotel/casino is not well understood. This leaves unanswered several strategic questions with regard to managing and marketing the hotel/casino as a destination resort. In particular, it is unknown if non-gambling entertainment supports the revenues generated by the casino. For example, what percentage of rides and attractions patrons are gamblers? Or, does nongambling entertainment bring in new casino customers such as parents who may not select-gambling as their preferred form of Las Vegas entertainment? Given that gambling income provides the primary revenue stream for the hotel/casino, it is the objective of this study to bring some quantitative analysis to bear on these questions. In particular, the study will do the following:

- identify the profile of rides and attractions customers
- quantify the satisfaction of customers with the individual rides and attractions
- chart the gambling preferences of the rides and attractions customers

3. Research Justification

The combination of gambling and nongambling entertainment at the Luxor Hotel/Casino represents a shift in the strategy of gaming-oriented corporations from one more focused on gambling alone. Indeed, several Luxor managers mentioned this trend during focus group discussions as a central factor in the decision to offer a broader entertainment mix. They suggested that the development of non-gambling entertainment is an attempt to expand the current market of gambling adults by appealing to the needs of friends and family members who may not themselves select gambling as their preferred form of Las

Vegas entertainment. By offering entertainment alternatives to nongamblers, the managers believe that the overall market of Las Vegas vacationers will expand and, in turn, increase revenues for the hotel/casinos. Specifically, they believe that the hotel/casino that can build, market and manage the best mix of gambling and nongambling entertainment will enjoy the most success in terms of sustainable profitability.

The strategic shift in the perceived optimal Las Vegas entertainment mix dovetails with the corporate philosophy of Circus Circus Enterprises, which has positioned its properties to appeal to a broad range of consumer segments. However, given the multimillion dollar budgets involved, large scale investment in nongambling entertainment attractions is a gamble nonetheless. For instance, no one yet knows what forms of nongambling entertainment might appeal to an expanded, less gambling-driven market.

4. Study Scope

Given its rich mix of gambling and nongambling forms of entertainment, the Luxor Hotel/Casino provides the perfect context for testing the hypothesis that the inclusion of nongambling entertainment attractions enhances a casino’s appeal. A demographic analysis of rides and attractions patrons provides a means of studying whether and in what ways these customers differ from the typical Las Vegas visitor profile and from the Luxor’s target market. An assessment of their experiential satisfaction levels gauges the degree to which individual rides and attractions are serving customers’ needs. An analysis of customers’ gambling preferences in general and their plans to gamble at the Luxor in particular indicates that the rides and attractions may contribute to incremental casino revenues. Therefore, the study focuses on the Luxor’s rides and attractions patrons exclusively.

5. Presentation Plan

Following a discussion of methodology and survey limitations, this presentation compiles the demographic characteristics of those customers who were sampled at the Luxor's rides and attractions. It identifies their ages, gender, income and hotel selection criteria. Segmentation of the data by subsets of guests/nonguests, as well as by weekday/weekend visitors, provides comparative demographic perspective. For those traveling with or without children, the analysis further identifies how children spend their time both in Las Vegas and at the Luxor.

For benchmarking purposes, the Luxor study sample is compared to the broad customer profile published by the Las Vegas Convention and Visitors Authority[1]. After establishing the Luxor sample's general demographic characteristics and comparing them with the LVCVA sample, the presentation quantifies the Luxor sample's “must see” and “must do” Las Vegas entertainment preferences.

[1] Las Vegas Convention and Visitors Authority, Las Vegas Visitor Profile, 1993.

The study then examines in more detail the customer data regarding the hotel/casino's seven individual rides and attractions. As a gauge of relative satisfaction/dissatisfaction, responders rate each of these attractions in terms of time and money spent and whether it is worth recommending. Finally, the study analyzes the gambling preferences of the patrons for each attraction.

III. METHODOLOGY

1. Overview

Minimal secondary research is available to quantify the interplay of gambling and nongambling forms of adult entertainment. Therefore, the study relies on primary research methods, focus groups and customer surveys conducted exclusively at the Luxor Hotel/Casino. Focus groups with Luxor middle managers and floor staff generated a shared mutual vocabulary to frame critical issues and develop survey questions. The resulting survey was then administered to patrons of the Luxor's nongambling rides and attractions. Venues studied include the Pharaoh's Theater (a cocktail show titled “Winds of the Gods”), the three Secrets of the Luxor Pyramid Theaters (“In Search of the Obelisk,” “Luxor Live!,” and “Theater of Time”), Sega VirtuaLand Arcade, King Tut's Tomb and Museum, and the Nile River Tour. No Luxor patrons were surveyed within the casino nor were any interviews conducted outside the property.

2. Secondary Research

To better understand the trends in the gaming industry, preliminary background information was gathered about the Luxor, its corporate parent Circus-Circus Inc. and Las Vegas in general. As rides and attractions are the primary focus of this study, trends in the out-of-home entertainment market were also studied. This research supported the hypothesis that non-gambling entertainment is important in developing new market segments for casinos in Las Vegas.

3. Focus Groups

Focus groups with employees and management of the Luxor were conducted to determine the most important factors for our study. The staff and management shared a vision of the Luxor as an upscale property. Most focus group participants also expressed the belief that the non-gambling entertainment is critical in attracting guests and visitors to the hotel/casino and retaining them there for as long as possible. Many focus group participants proposed that the nongambling entertainment contributed to overall revenues by luring to the hotel customers who would also gamble in the casino. The employees believe that a direct positive relationship exists between the length of time patrons stay in the hotel/casino and the amount of revenues captured by the Luxor overall. Participants acknowledged, however, that the current impact of the rides and attractions was not well understood and that the gambling patterns of their patrons was unquantified.

4. Survey Design

They survey was designed to generate an aggregate profile of rides and attractions (R&A) patrons, provide an individual customer profile for each attraction, determine the overall satisfaction with each attraction, and quantify their gambling preferences. The diagnostic material consisted of a screener questionnaire which served to limit the study to Las Vegas visitors of gambling age, followed by either a guest or nonguest survey. Guest and nonguest surveys were largely identical, with the exception of questions regarding hotel selection issues. A sample of each survey is included in **Appendix 5**.

- *Demographic Profiles:* To generate the demographic profiles, respondents were asked questions about gender, age, income level, zip code, number and age of children, day of arrival and length of stay. These questions were designed to be comparable to questions in the Las Vegas Visitor Profile.
- *Ride Satisfaction:* To gauge satisfaction with individual R&A, we asked patrons to evaluate each in terms of whether it was worth the time, a good value for the money and worth recommending. All answers are on a seven point semantic Likert scale, with seven being highest. Patrons were also asked if they would repeat the experience and whether they were planning to attend rides or attractions which they had not already visited. In addition, they were asked how important the rides and attractions had been in the decision to stay at or visit the Luxor, as well as to the overall experience at the Luxor.
- *Gambling Preferences:* Finally, R&A patrons were asked about their gambling preferences. Each person identified the games they expected to play while at the Luxor and those which they expected to play elsewhere in Las Vegas in order to identify their preferred set of games as well as to determine if they perceived the Luxor as a desirable gambling location. This comparison made it possible to determine if the rides and attractions were working as a lure for the casino or if they were attracting people who did not care to gamble at the Luxor.

5. Survey Administration Strategy

Before administering the survey, a pre-test was conducted to evaluate survey length, appropriate administration locations and resource requirements. Ultimately, 314 usable surveys were completed, using random intercepts at several locations: the Theater of Time and Nile River Tour entrance lines, the Museum and Dinner Theater exits, the attraction level, the lunch buffet line and the Sega VirtuaLand arcade. Surveys were conducted by members of the field study team with the assistance of Luxor employees, and averaged 5-7 minutes each.

In order to satisfy the Central Limit Theorem, which determines the minimum number of people who must be surveyed from a given population to yield a statistically valid sample, at least 30 patrons who had attended each of the seven rides and attractions were required to be surveyed. Ultimately, numbers surveyed ranged from 58 participants who had seen the cocktail show “Winds of Gods,” to 203 participants who had attended “In Search of the Obelisk.” There were 147 customers surveyed from “Luxor Live!”; 109 from “The Theater of Time”; 139 from the Sega VirtuaLand Arcade; 110 from King Tut’s Tomb and Museum; And 170 from the Nile River Tour. A number of participants attended several rides or attractions, with the average being three completed attractions per person. Based on our calculation of standard errors, we believe the answers on the survey to be accurate within 3%.

6. Segmentation

From the focus groups, it was learned that patrons are commonly segmented into four distinct groups: Luxor hotel guests; Nonguests, who are visiting the Luxor but staying elsewhere; Weekend visitors, who arrive in Las Vegas no earlier than Thursday and leave no later than Monday; And weekday visitors who arrive and depart on other days of the week. Therefore, we replicated the segmentation in our sample, in order to quantify any differences that might exist between the various segments.

IV. LIMITATIONS

Intercept-based surveys are bounded by certain limitations due to the research technique. These include:

- **Data Collection:** The LVCVA study shows that there is seasonal effect on Las Vegas visitors' behavior. Our surveying was done in April and May and therefore does not account for these effects.
- **Positive Skewing:** In surveys that involve scaled ratings, there is usually a tendency for participants to select answers on the higher end of the scale, which produces positive skewing. Self-selection may add to this effect, because people with negative impressions may choose not to participate.
- **Rides and Attractions Audience:** We focused our study on rides and attractions patrons. Surveying was not conducted on the casino floor or in other areas of the hotel. To examine other potential market segments or develop a more general perception of the entertainment at the Luxor, other extensive surveys need to be conducted.

V. TERMINOLOGY

Throughout this study, the following terms are used repeatedly:

- **Customers, Patrons, Visitors:** Unless otherwise qualified, all these refer to the overall customer base of the Luxor attractions only.
- **Guests:** Customers of the Luxor rides and attractions who are staying overnight at the Luxor.
- **Nonguests:** Customers of the Luxor rides and attractions who are staying at another Las Vegas hotel or motel.
- **Weekend:** Patrons who arrived on Thursday, Friday or Saturday, and departed before Monday.
- **Weekday:** All patrons who are not classified as “weekend.”
- **Rides and Attractions (R&A)**: Refers to the nongambling entertainment attractions as a group or to the sample population of patrons who visit them.
- **Las Vegas Visitors, LVCVA sample:** Refer to the overall Las Vegas visitor population, as described in the Las Vegas Visitor Profile.

In some cases, terms are combined into forms such as “weekend guests.”

VI. CUSTOMER PROFILE

1. Summary of Key Findings

R&A patrons are typical Las Vegas vacationers.

They share the demographic profile of visitors surveyed by the Las Vegas Convention and Visitors Authority (LVCVA) with the exception of income and children.

R&A patrons fall squarely within the Luxor's affluent target market segment.

They report higher annual household incomes than the average Las Vegas visitor. Additionally, they either considered or are staying at other upscale-positioned hotel/casinos.

R&A patrons are more likely to travel with children than are average Las Vegas visitors.

This may reflect the unique appeal of rides and attractions to families. On the other hand, this trend may merely evidence higher incomes which enable parents to bring children.

R&A patrons also visit the casino.

82% report that they have or plan to gamble at the Luxor.

Entertainment that is new or novel has a strong appeal for R&A patrons.

One of the top three planned entertainment options cited by R&A patrons is “see new hotel/casinos.” Significantly, each of the top three hotels mentioned as a “must see” or “must do” opened within the last year. Luxor guests most frequently mentioned the hotel's newness or mystique as a reason for hotel selection.

2. Rides and Attractions Customer Profile

- **Gender:** 56% male
  44% female

- **Age:** 77% are between 25 and 54 years old
  (details page 15)

- **Income:** 77% report household incomes in excess of $40,000 per year
  (details pages 17-18)

- **Children:** 35% of R&A patrons have children
  14% of R&A patrons bring children with them
  (details page 20-22)

- **Gambling:** 82% of R&A patrons gamble while in Las Vegas
  (detailed breakdowns page 22)

- **Previous Visits:** 63% of R&A patrons have not been to Las Vegas in the past 12 months.
  (details page 16)

- **Length of Stay:** The average length of stay in Las Vegas for R&A patrons is 3.72 nights.
  (details page 16)

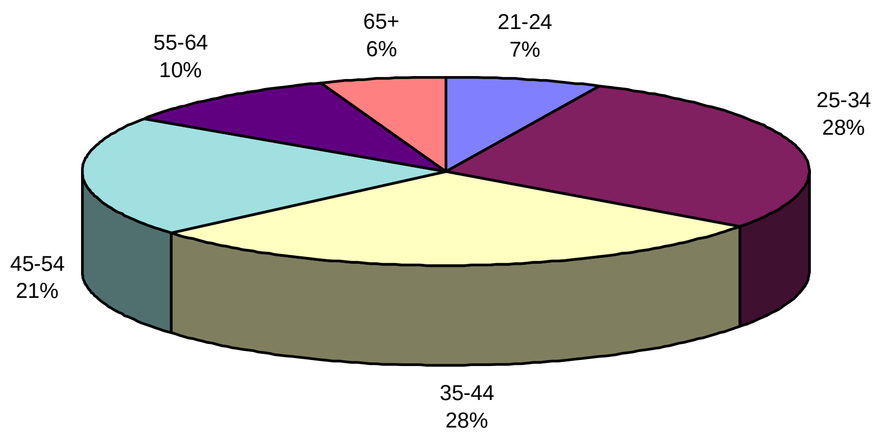
3. Comparison of R&A patron with Las Vegas Averages[2]

	Luxor Demographic Averages	LVCVA Demographic Means
Gender:	55% male 45% female	49% male 51% female
Income:	77% have household income over $40,000	58% have household income over $40,000
Age:	77% over 35 years old	64% over 40 years old
Children:	14% brought minors	9% brought minors
Gambling:	82% gamble	90% gamble

[2]Las Vegas Convention and Visitor's Authority, Las Vegas Visitor Profile, 1993.

4. R&A Patron Age Demographics

Figure 1: R&A Patron Age Distribution



Overall trends track LVCVA data with minor exceptions. Luxor R&A profile has more guests aged 25-34 and more non-guests aged 35-44. R&A patrons aged 55+ drop from 20% of the sample on weekdays to only 4% on weekends.

(For further breakdowns see Appendix 1a.)

5. Length of Stay

Figure 2: Number of Visits to Las Vegas in previous 12 months

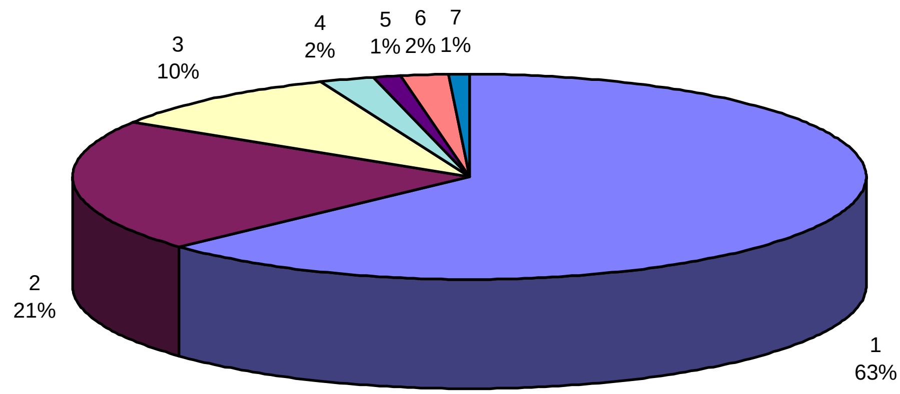
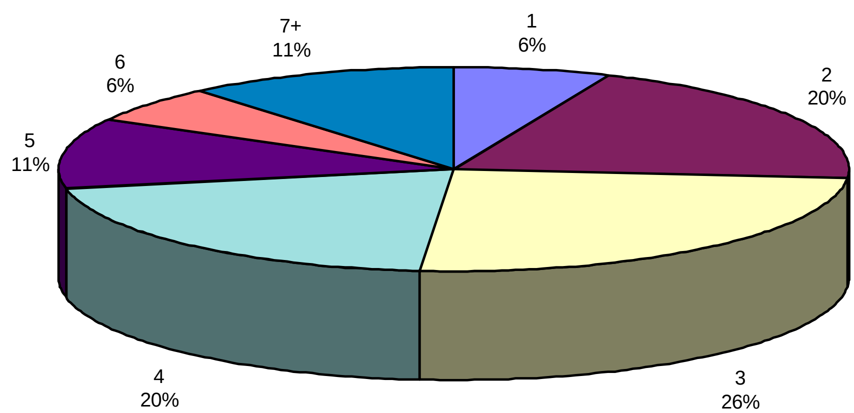


Figure 3: Number of Days Stayed on Current Visit



Overall trends track LVCVA data with minor exceptions. More Luxor Guests have visited Las Vegas only once in the past 12 months (70% vs. the overall 63% shown above). Weekend R&A patrons are at least three time as likely to have visited Las Vegas more than 6 times in the past year than are weekday R&A patrons (7% as compared with 2%).

(For further breakdowns see Appendix 1b.)

6. Income Distributions

Fig 4: Income Distribution of Luxor R&A Customers

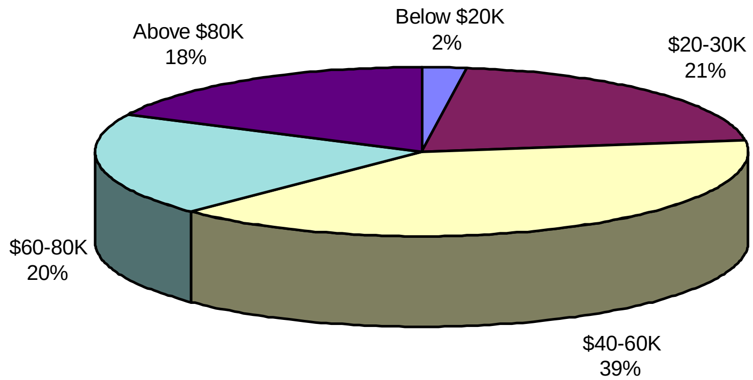
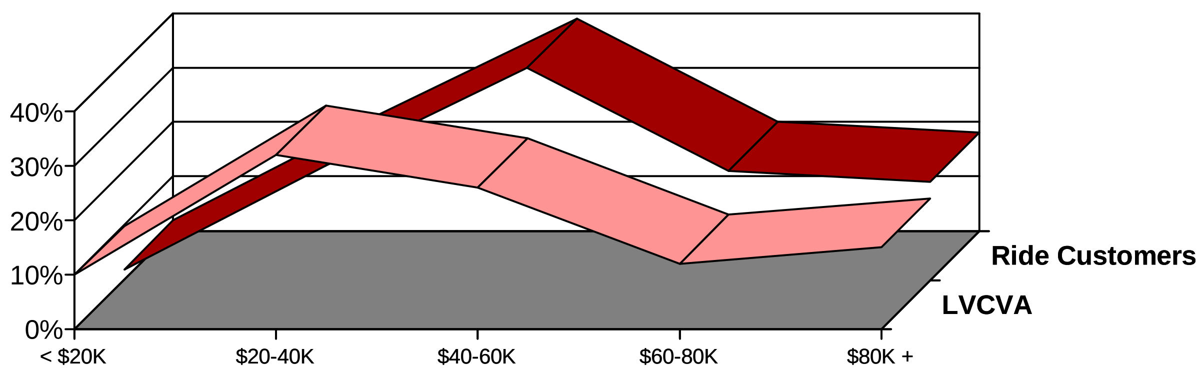


Figure 5: Luxor R&A Patrons' Incomes vs. LVCVA Averages



R&A patrons report higher annual household incomes than the LVCVA sample. 77% have incomes over $40,000.

7. Income Segmentation

Figure 6: Overall R&A Patrons,
Guest and Nonguest Segments

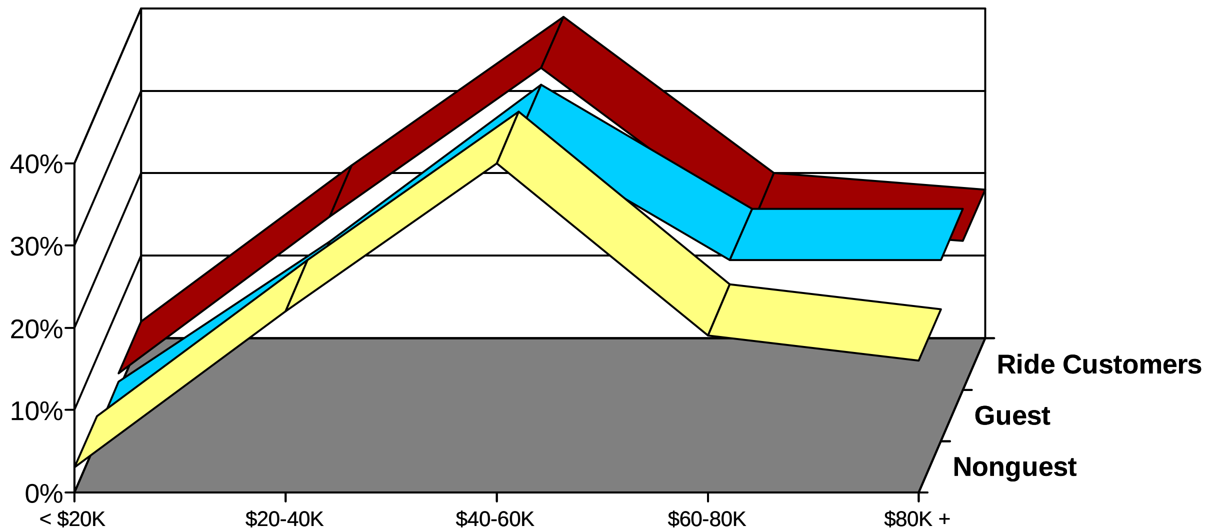
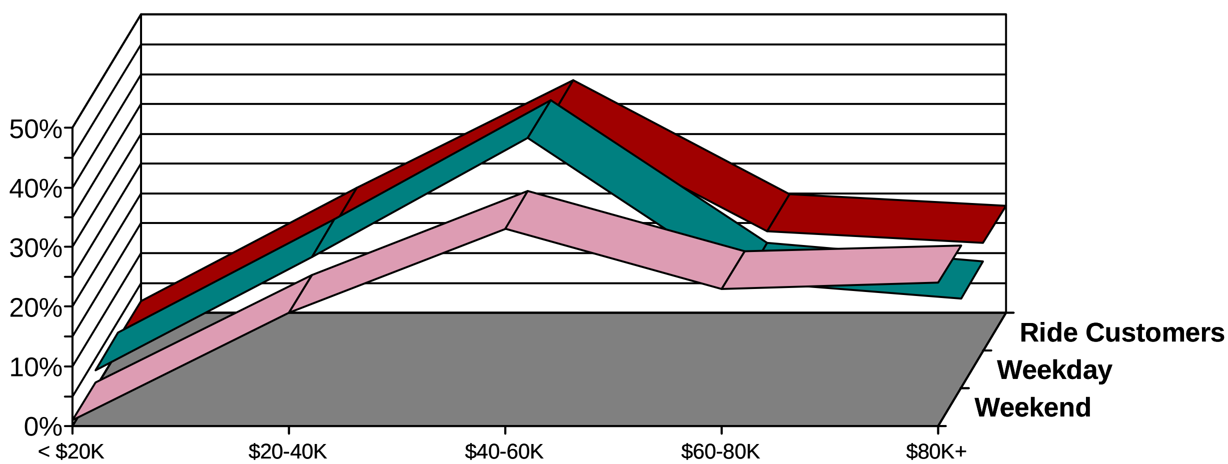


Figure 7: Overall R&A Patrons,
Weekend and Weekday Segments



Guests and weekend patrons have higher incomes than nonguest and weekday, respectively. Nonetheless, all four segments, including nonguest and weekday patrons report incomes higher than the LVCVA sample.

8. Hotel Selection Competitive Set

Hotels Guests Considered:

MGM Grand	55%
Mirage	28%
Treasure Island	26%
Excalibur	24%
None	24%
Caesar's Palace	8%

Hotels Where Nonguests Stayed:

Excalibur	14%
MGM Grand	11%
Bally's	6%
Circus-Circus	5%
Mirage	5%
Treasure Island	4%

The Luxor Hotel/Casino is perceived as competitive with other upscale Las Vegas properties, by both guests and nonguests. Significantly, almost a quarter of Luxor guests made their selection without considering another hotel.

9. Children

Figure 8: Patrons with Children

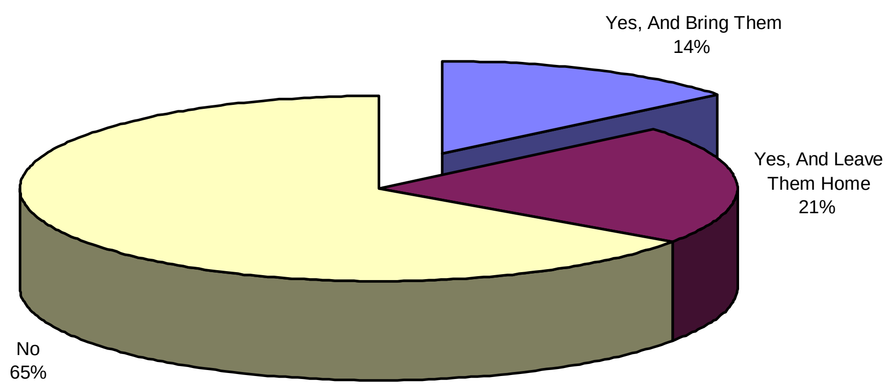
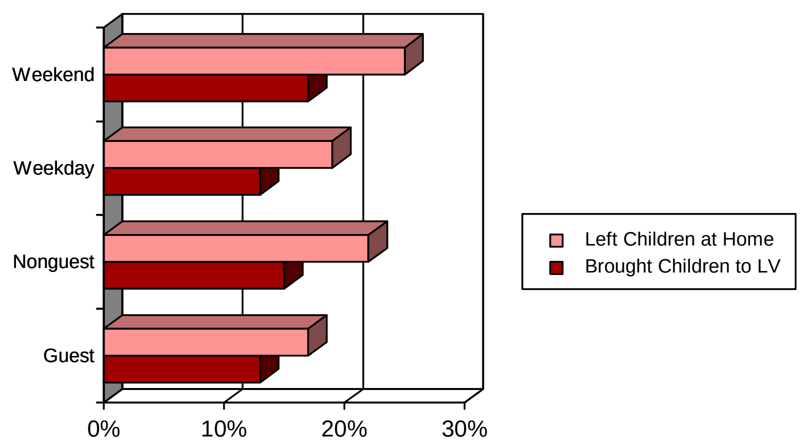


Figure 9: Choice to Bring or Leave Children by Segmentation



Guests with children reported higher income and showed a stronger preference to gamble at the Luxor than guests without children. Additionally, no relationship was found between the child's age and the parent's decision of whether or not to bring the child to Las Vegas.

(For further details about patrons with children, consult Appendix 1c.)

10. Children's Entertainment

Figure 10: Children's Entertainment Activities in Las Vegas

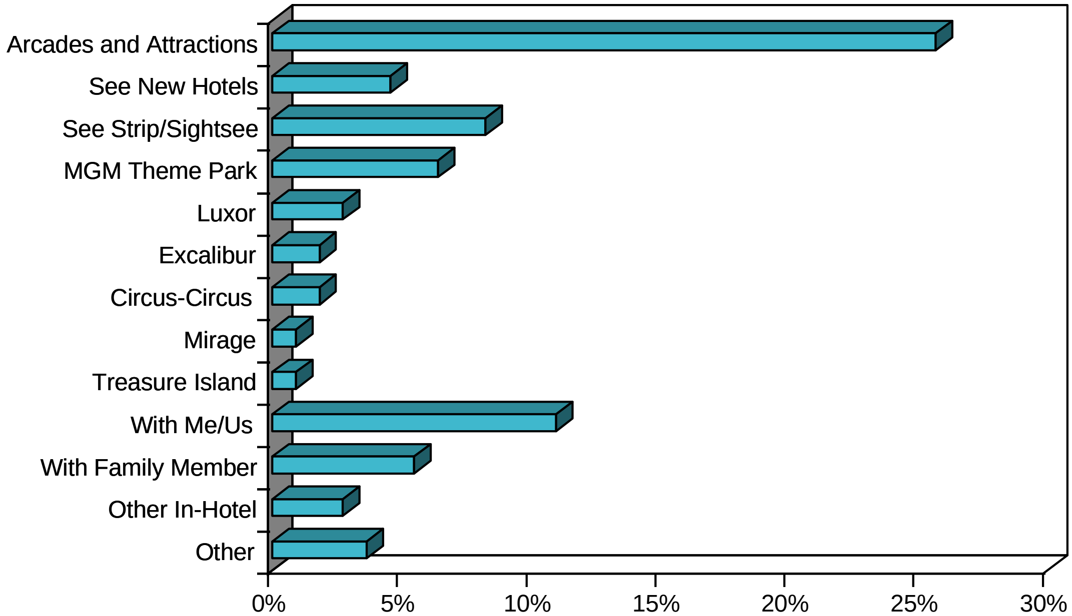
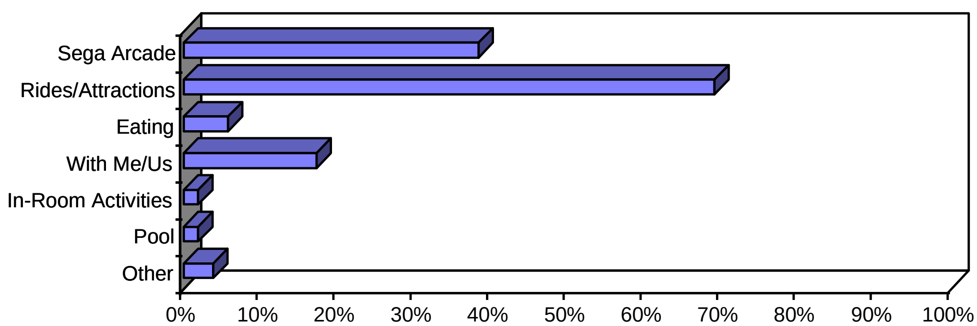


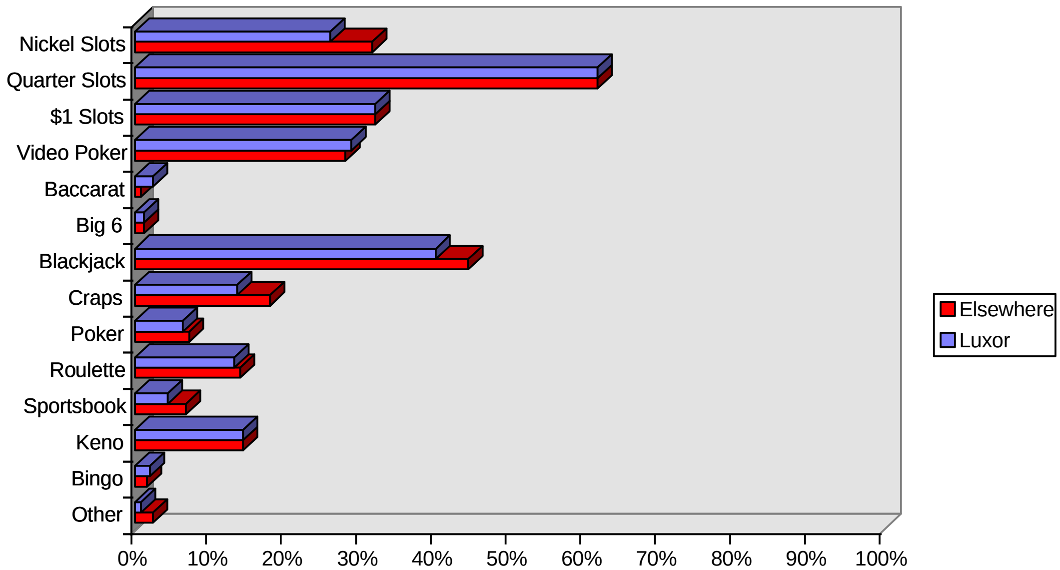
Figure 11: Children's Entertainment Activities at the Luxor



Parents listed both general entertainment activities and specific hotels when asked what their children were doing in Las Vegas. Significantly, many said the children were "with them." This suggests that entertainment that appeals to children will also draw parents to the hotel/casino.

11. Gambling Preferences

Figure 12: R&A Patron Gambling Behavior Both at the Luxor and Elsewhere



82% of R&A patrons gamble. Most report gambling both at the Luxor and at other casinos. Overall guests show preference for gambling at the Luxor whereas nonguests report a preference for gambling elsewhere.

(Gambling is addressed in more detail in Section VIII, p. 33)

12 Newness Factor

Top Mentioned "Must See" Properties

Luxor	17%
MGM Grand	8%
Treasure Island	8%
Mirage	4%
Excalibur	2%
Caesar's	2%

The top three mentioned properties were all opened within the last year. Additionally, R&A patrons most often cite "see new hotels" as one of their top three planned entertainment activities Moreover, guests most frequently mention the hotel's newness or mystique as a motivation for hotel selection, as can be seen in Figure 13, page 24.

(For detail of "must see" or "must do" activities, see Appendix 1d.)

13. Hotel Selection Factors:

Figure 13: Reasons Guests Chose the Luxor

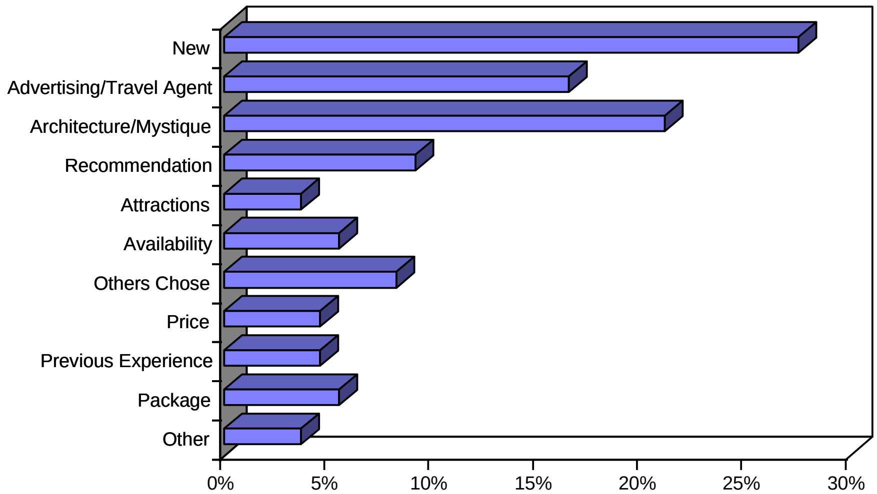
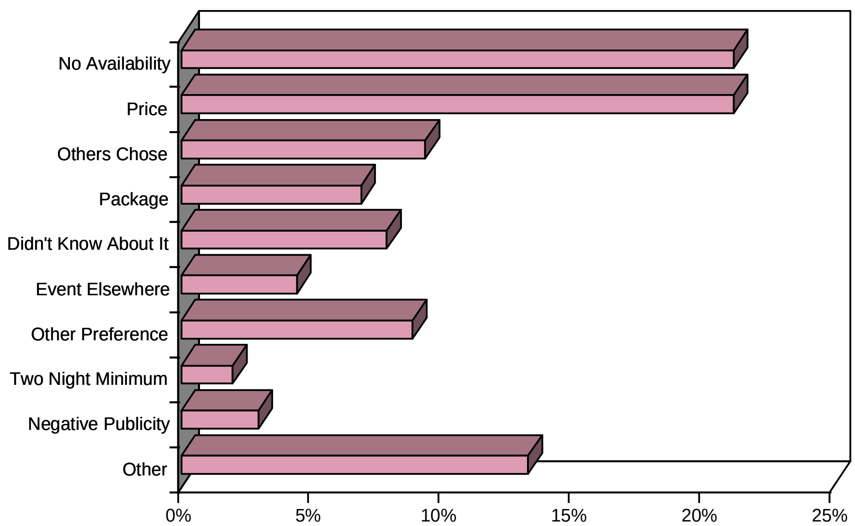


Figure 14: Reasons Nonguests Chose Another Hotel



Groups not selecting the Luxor due to lack of availability and those not selecting it due to price are distinct. The "negative publicity" category showed no significant trends and included answers such as: "It's difficult to get around; there's a lot of walking"; "The elevators are slow"; "I was told I'd get dizzy on upper floors"; "We heard transportation up the Strip was impossible"; and "A friend who stayed there recommended another hotel."

VII. RIDE SATISFACTION

1. Summary of Key Findings

R&A satisfaction levels vary significantly between individual venues.

Mean satisfaction levels in terms of “worth the time” range from 3.98 to 6.15 on a seven point scale with “7” indicating the highest level of satisfaction, “1” the lowest and “4” the midpoint.

Availability of R&A influences the decision to visit or stay at the Luxor.

70% of the sample state that the nongambling entertainment was “important” or “very important” to their decision to visit or stay by scoring it as a 5, 6, or 7 on a seven point scale.

R&A patrons link their satisfaction on the rides with their experience of the hotel overall.

73% of the sample state that the nongambling entertainment was “important” or “very important” to their overall experience at the Luxor by scoring it as a 5, 6, or 7 on a seven point scale.

R&A satisfaction cannot be explained by demographic factors.

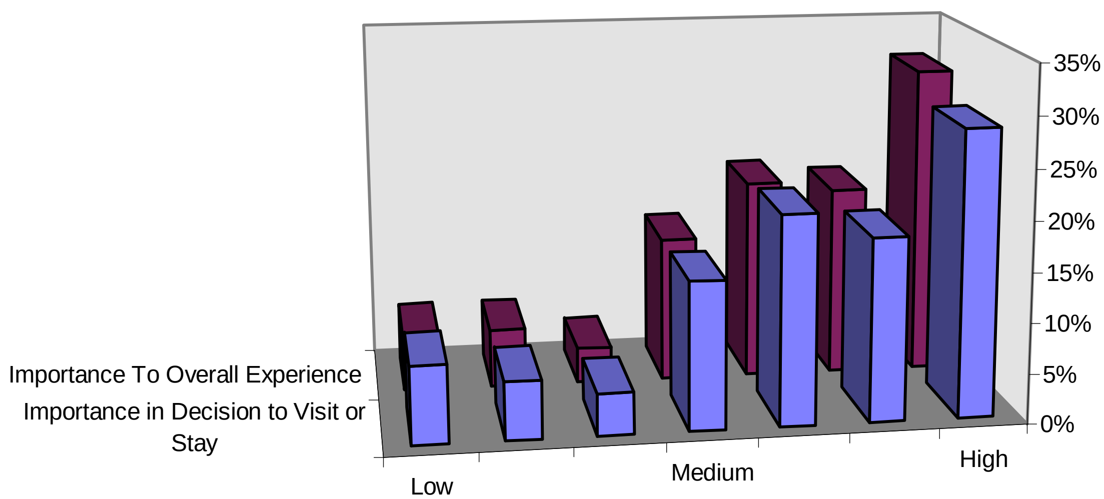
High and low satisfaction ratings were distributed among patrons of all ages and income brackets as well as guests/nonguests and weekday/weekend visitors. The evidence supports, therefore, no simple conclusions such as younger or wealthier visitors prefer individual rides.

R&A patrons may recommend a venue that they, personally, did not enjoy.

Two of the three categories of satisfaction are closely correlated. The answers “worth the time” and “value for the money” are given by R&A patrons almost interchangeably. However, some patrons who scored a ride as unsatisfactory in terms of “time” and “money” rated it highly as a venue they “would recommend.”

2. R&A Overall Importance

Figure 15: Importance of R&A in Decision to Visit or Stay
Importance of R&A in to Overall Experience at Luxor



The availability of nongambling entertainment encouraged 70% of R&A patrons to visit the Luxor. Moreover, 73% state that these venues have significantly contributed to their overall experience with the hotel/casino. High and low ratings are dispersed among R&A patrons of all age and income categories as well as weekday/weekend visitors. Therefore, ride satisfaction cannot be explained in terms of demographic characteristics.

(See Appendix 2a for further information.)

3. R&A Satisfaction Guests and Nonguests Compared

Figure 16: Guest R&A Patron,
Importance of R&A in Decision to Stay, Importance to Overall Experience

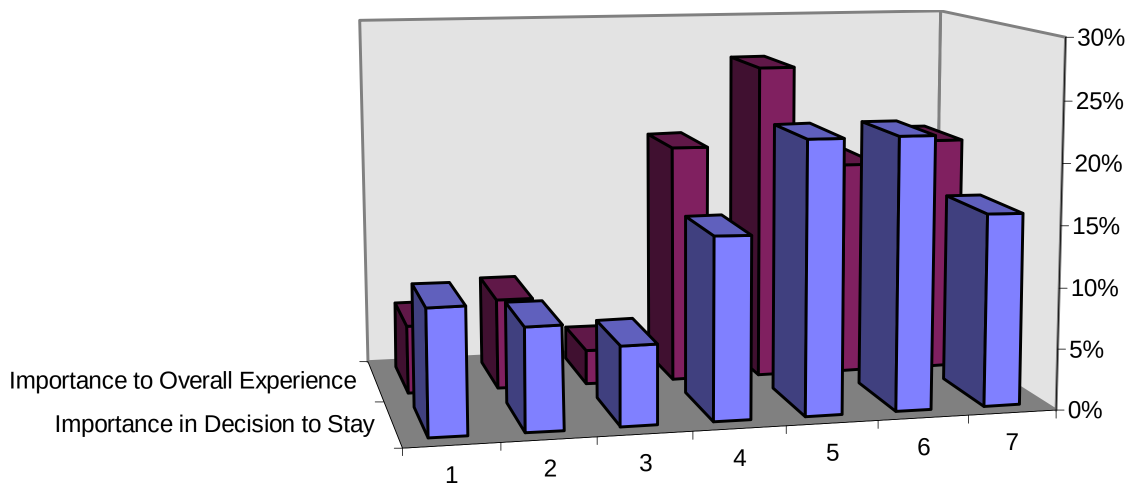
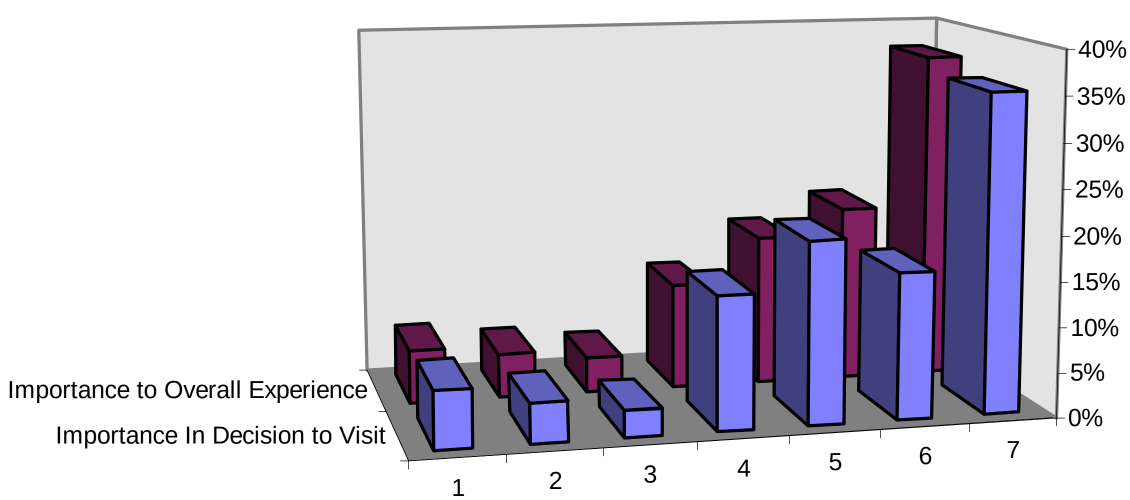


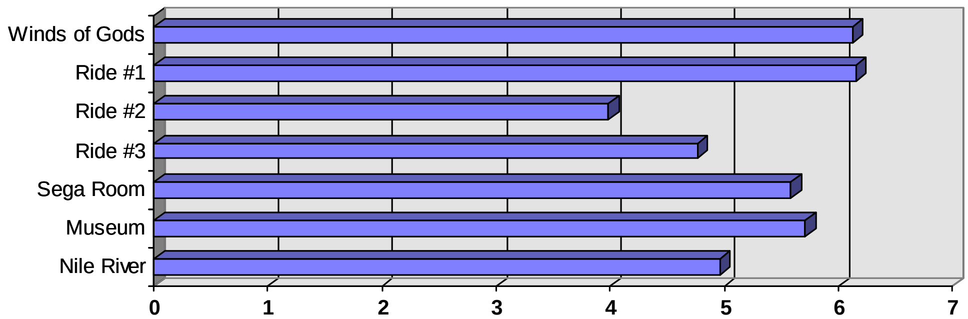
Figure 17: Nonguest R&A Patron
Importance of R&A in Decision to Visit, Importance to Overall Experience



More nonguests than guests ranked the nongambling entertainment as important or very important to their decision to visit the Luxor.

4. Mean Satisfaction in Terms of “Worth the Time”

Figure 18: Mean Rating of Each Ride
In Terms of “Worth the Time”



Satisfaction levels vary significantly between rides. Because ratings for “worth the time” and “a good value” were highly correlated, “time” is chosen as a proxy for the venue's overall appeal.

(See Appendix 2b.)

5. Winds of the Gods

Figure 19: Winds of the Gods Satisfaction
Rated in Three Dimensions

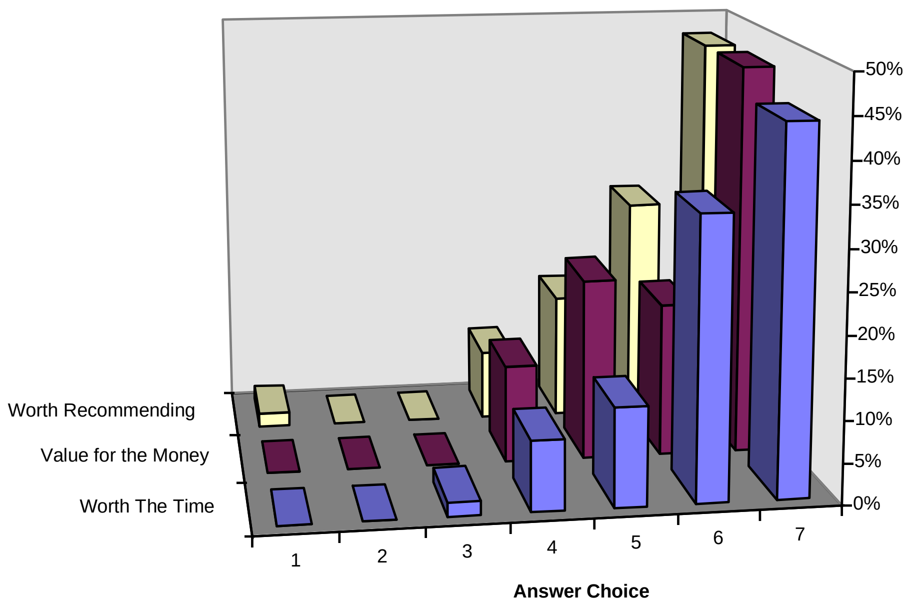
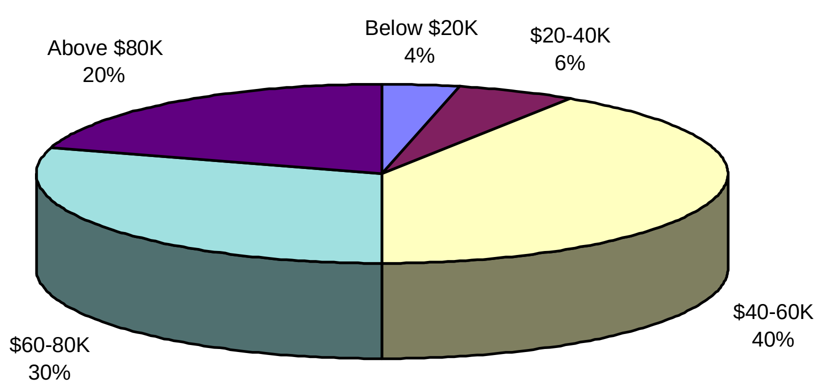


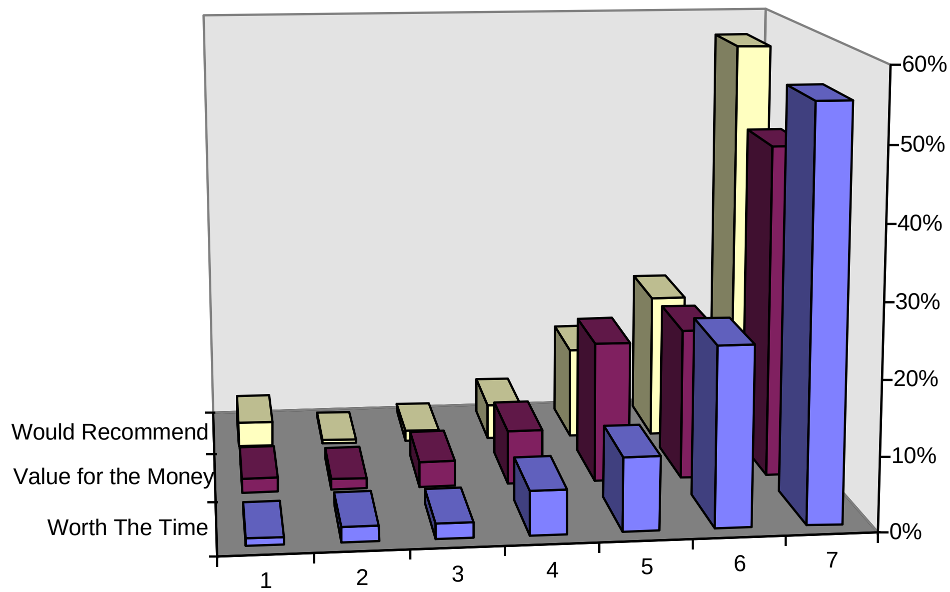
Figure 20: Winds of the Gods Patron
Income Breakdown



More than 40% of respondents answered a “7” in each category. This venue shows the highest income strata with 90% reporting household incomes of $40,000 or more. 60% would go again

6. Ride 1: “In Search of the Obelisk”

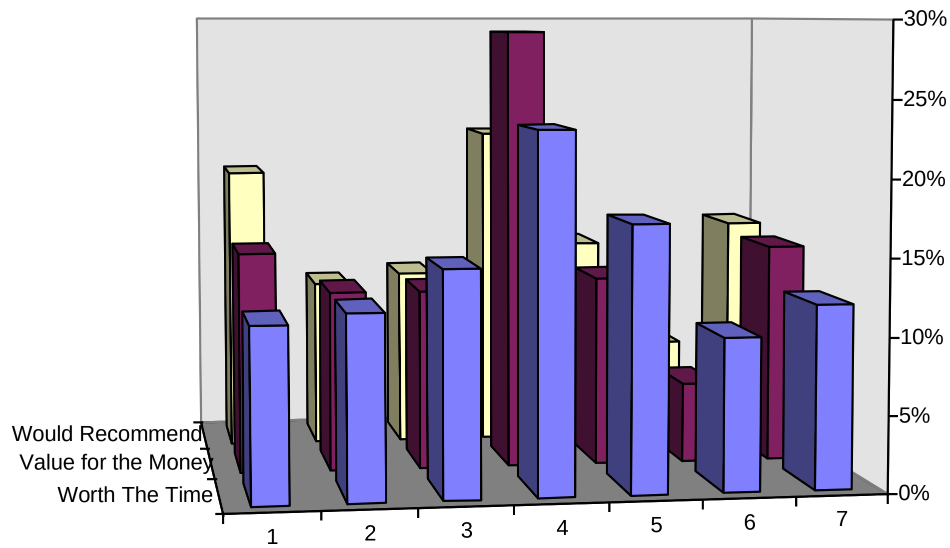
Figure 21: In Search of the Obelisk Satisfaction
Rated in Three Dimensions



The motion simulator ride is the highest rated of the seven venues. 75% would go again.

7. Ride #2: “Luxor Live!”

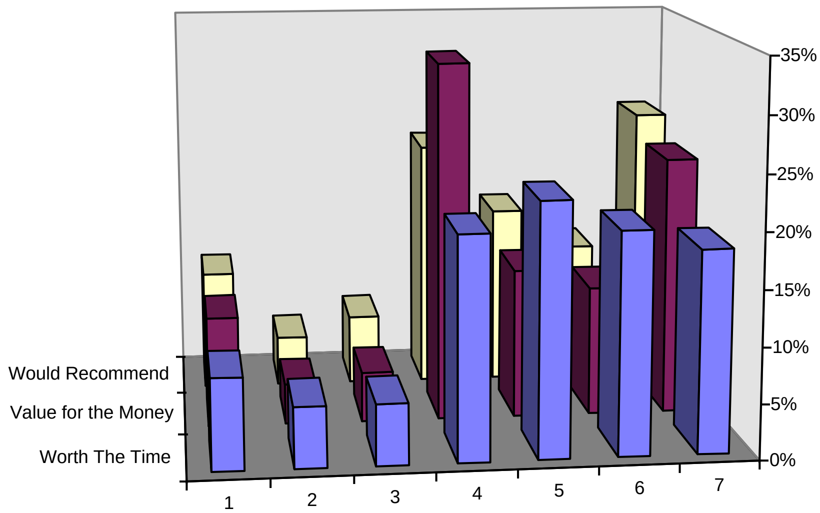
Figure 22: Luxor Live Satisfaction
Rated in Three Dimensions



The Showscan talkshow was the lowest rated of the seven venues. 31% would go again.

8. Ride #3: "The Theater of Time"

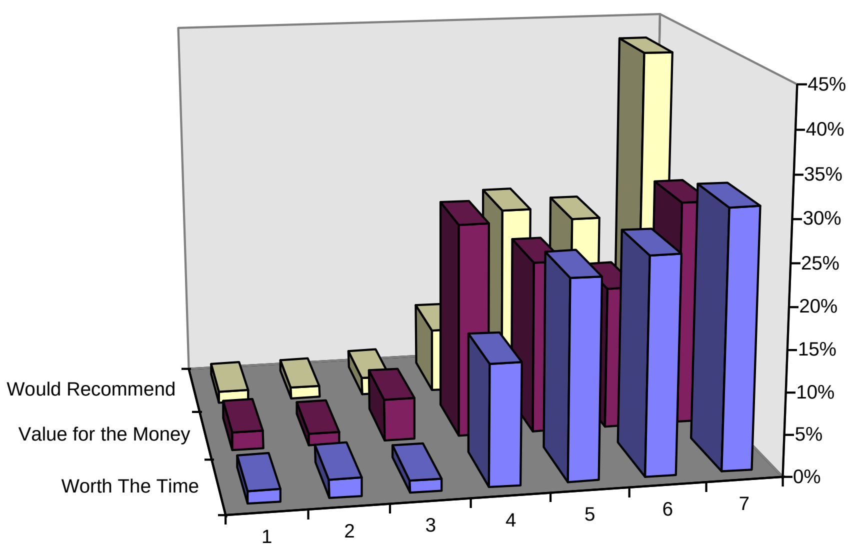
Figure 23: Theater of Time Satisfaction
Rated in Three Dimensions



The large format movie reported the largest group of R&A patrons who rated the ride as "average." 51% would go again.

9. Sega VirtuaLand Arcade

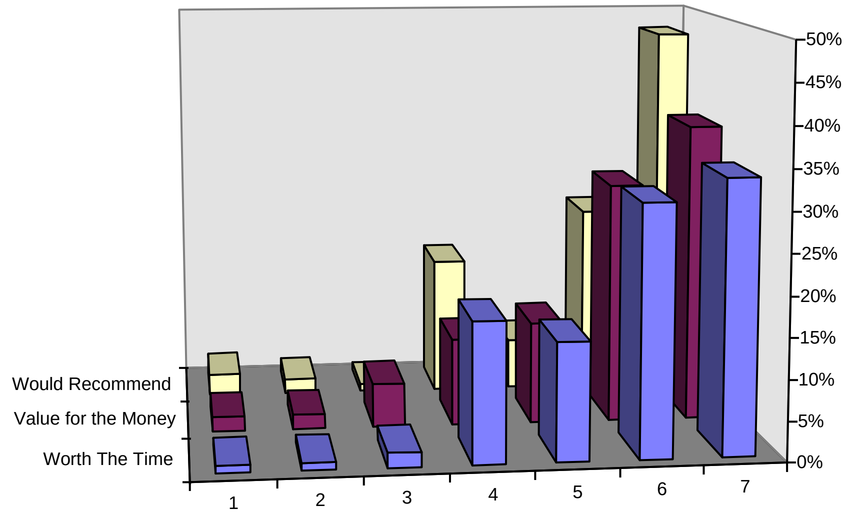
Figure 24: Sega VirtuaLand Satisfaction
Rated in Three Dimensions



This venue has the highest potential for word of mouth advertising as evidenced by the high discrepancy between the "would recommend" and other satisfaction categories. 90% would go again.

10. King Tut's Tomb and Museum

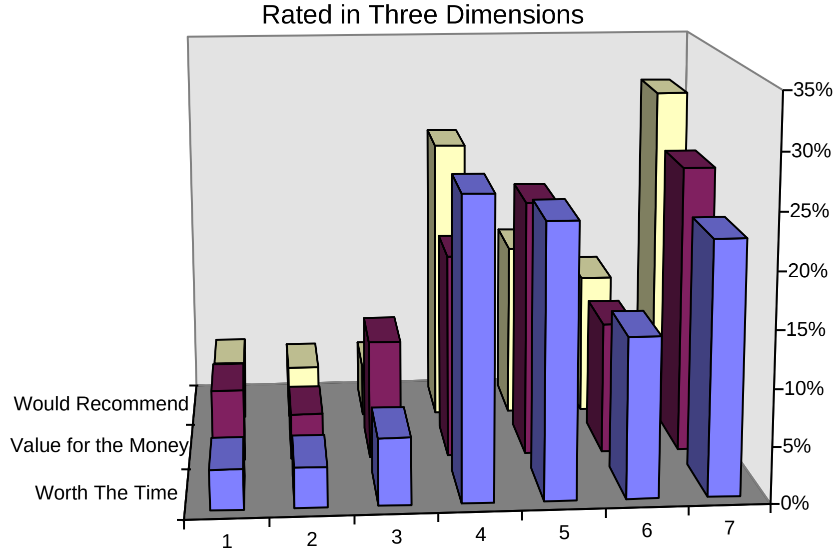
Figure 25: Museum Satisfaction
Rated in Three Dimensions



Satisfaction ratings for the museum trend significantly in the “6” and “7” categories. 60% would go again.

11. Nile River Adventure Tour

Figure 26: Nile River Satisfaction
Rated in Three Dimensions



The river tour is the only venue to display a bi-modal distribution of positive responses in the “5” and “7” categories. This suggests a segmentation in customer response. However, as with other trends, this cannot be explained by demographic factors. 55% would go again.

VIII. GAMBLING PREFERENCES

1. Summary of Key Findings

R&A patrons gamble in the Luxor casino.

82% of those surveyed answer that they have gambled or plan to gamble at the Luxor.

Most R&A patrons play slots, video poker, black jack and craps.

Patron preference generally track the typical Las Vegas gambling profile compiled by the LVCVA.

Guest/nonguest R&A patron segments gamble differently.

Guests are more likely than nonguests to gamble at the Luxor for all games except craps. Luxor guests are more likely to play craps elsewhere.

R&A entertainment acts as a lure for the casino.

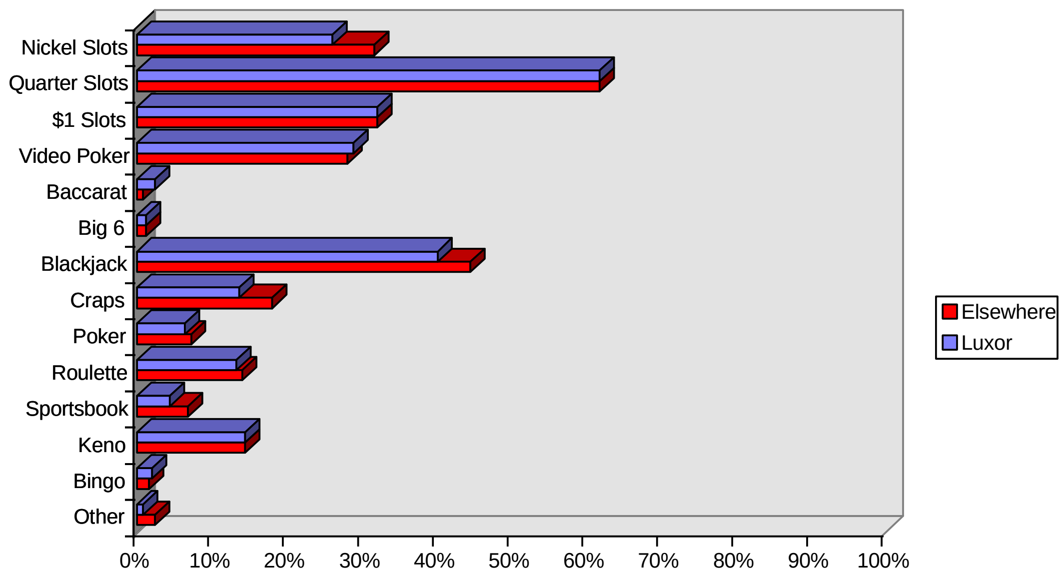
80% of nonguests for whom the R&A was “important” or “very important” to their decision to visit the Luxor report that they have or intend to gamble in the hotel's casino.

The gambling preferences profile for the individual venues mirrors that for total R&A patrons.

The slightly higher gambling frequencies for slots and table games may be an income effect generated by the upscale customer profile attracted by the hotel/casino.

2. Gambling Preferences

Figure 27: Gambling Preferences of R&A Patrons
Both at the Luxor and Elsewhere



80% of R&A patrons either have gambled or plan to gamble while in Las Vegas. The gambling profile of R&A patrons closely matches that of the typical Las Vegas gambler according to the LVCVA.

3. Guest and Nonguest Segments' Gambling Compared

Figure 28: Gambling Preferences of Luxor Guests
Both at the Luxor and Elsewhere

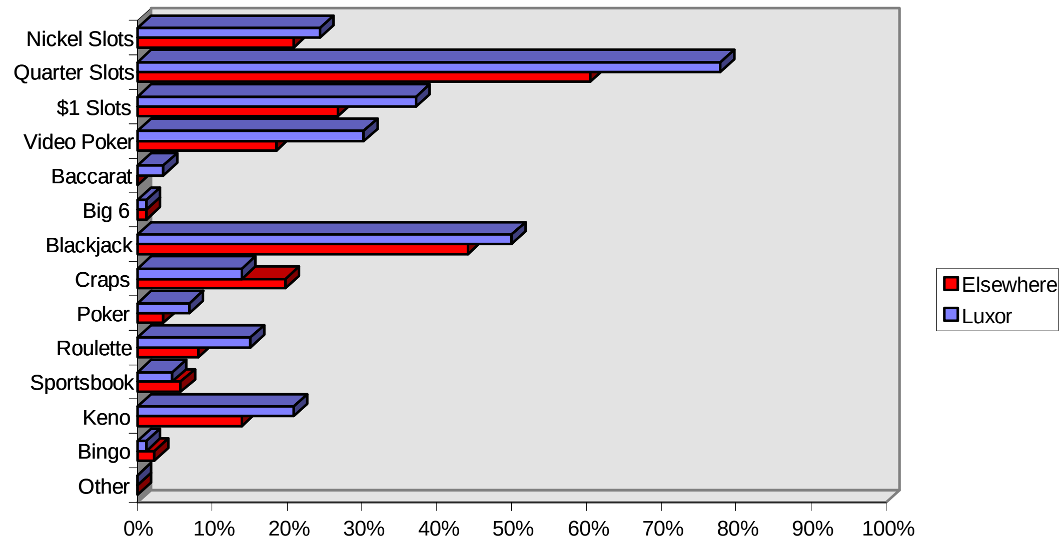
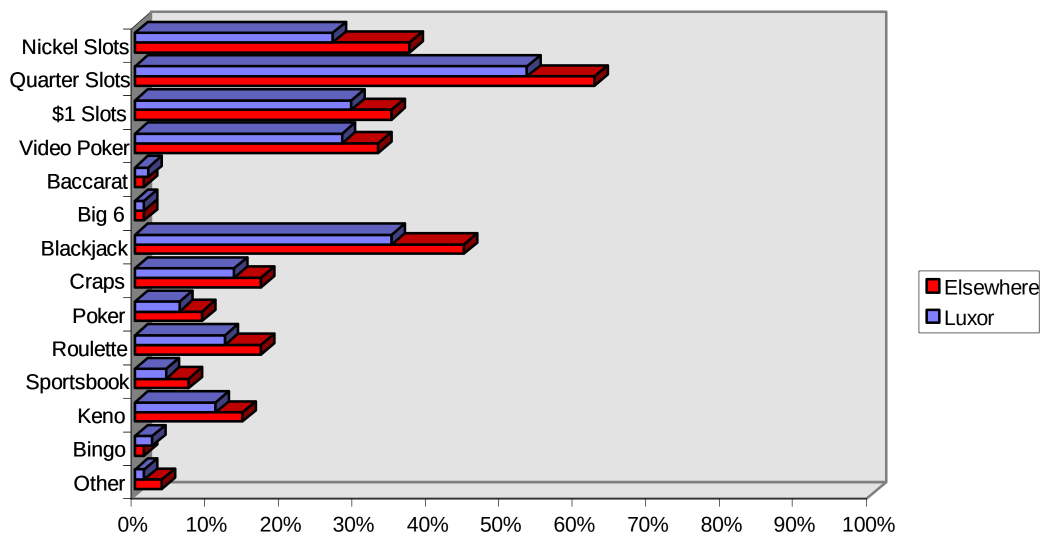


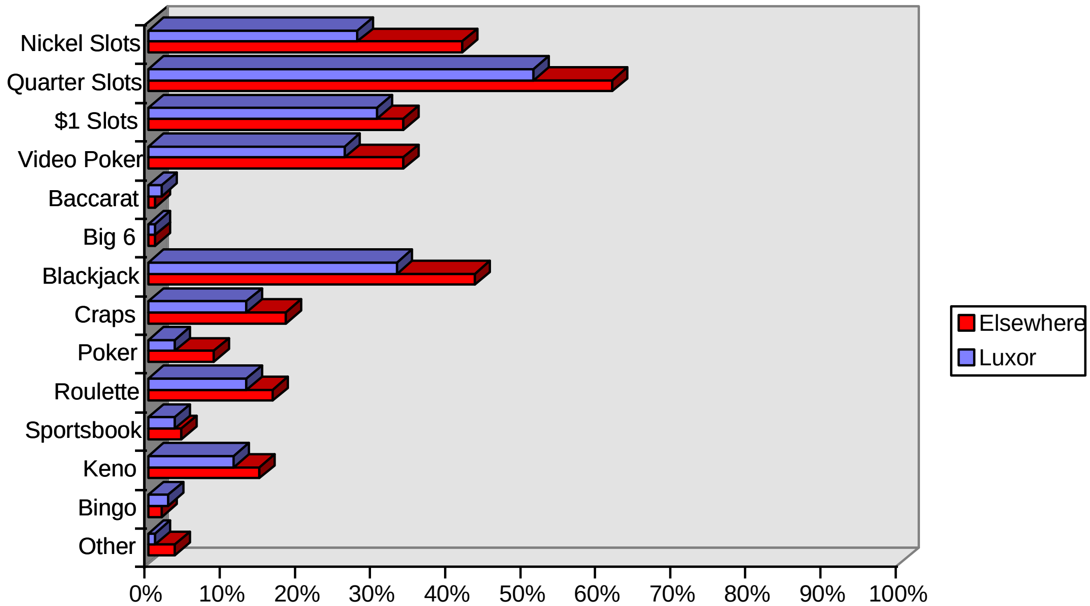
Figure 29: Gambling Preferences of Nonguests
Both at the Luxor and Elsewhere



Guests are more likely than nonguests to gamble at the Luxor for all games except craps. Luxor guests are more likely to play craps elsewhere.

4. R&A Draw Gamblers to the Casino

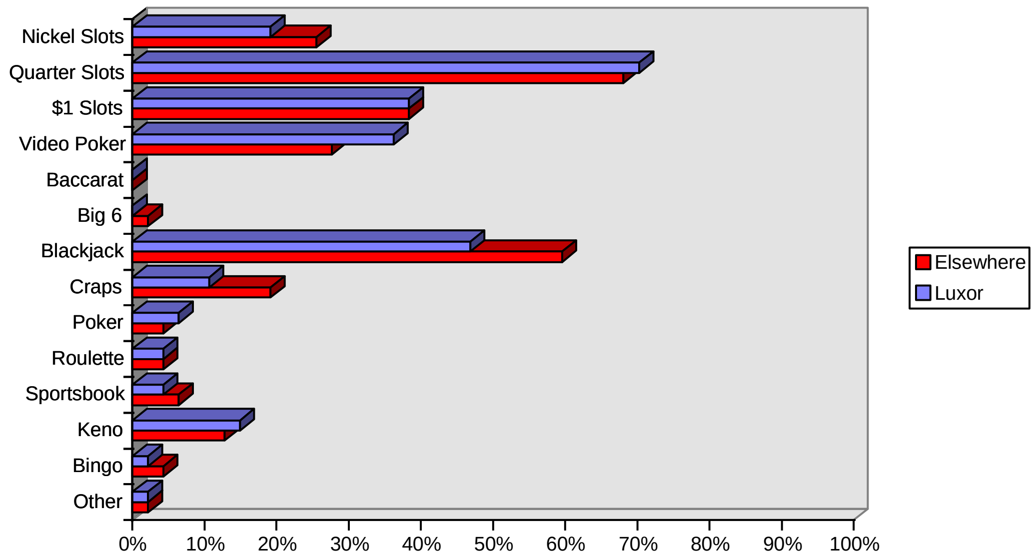
Figure 30: Gambling Preferences of Nonguest Gamblers
Who Rated R&A as Important in Their Decision to Visit



80% of nonguests who rated the nongambling entertainment as "important" or "very important" to their decision to visit the Luxor either plan to or have gambled in the hotel's casino. Figure 30 specifies the group's gambling preferences.

5. Winds of the Gods

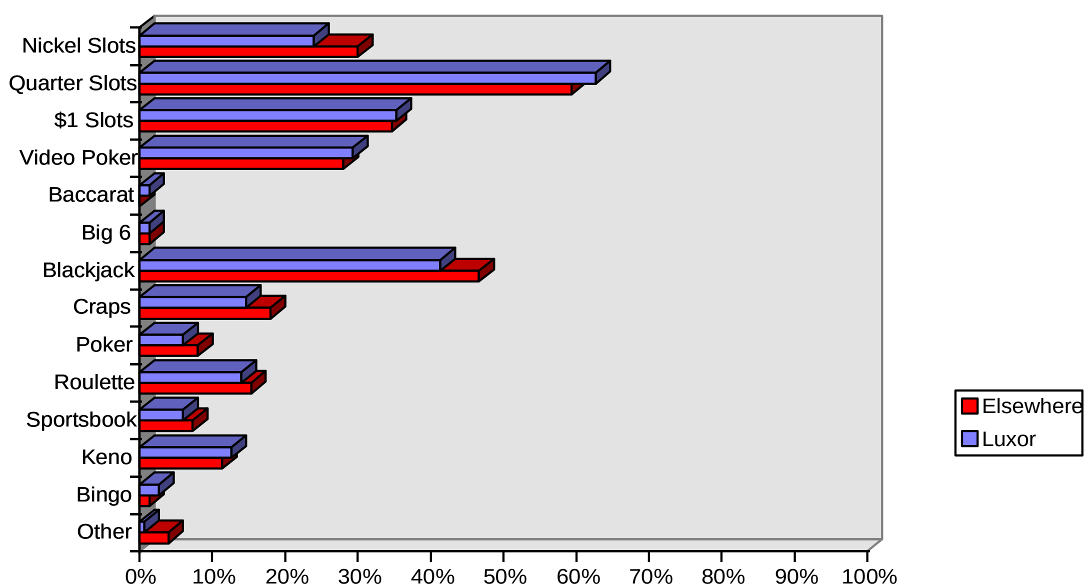
Figure 31: Winds of the Gods
Patron Gambling Preferences



80% of Winds of the Gods patrons gamble

6. Ride #1: In Search of the Obelisk

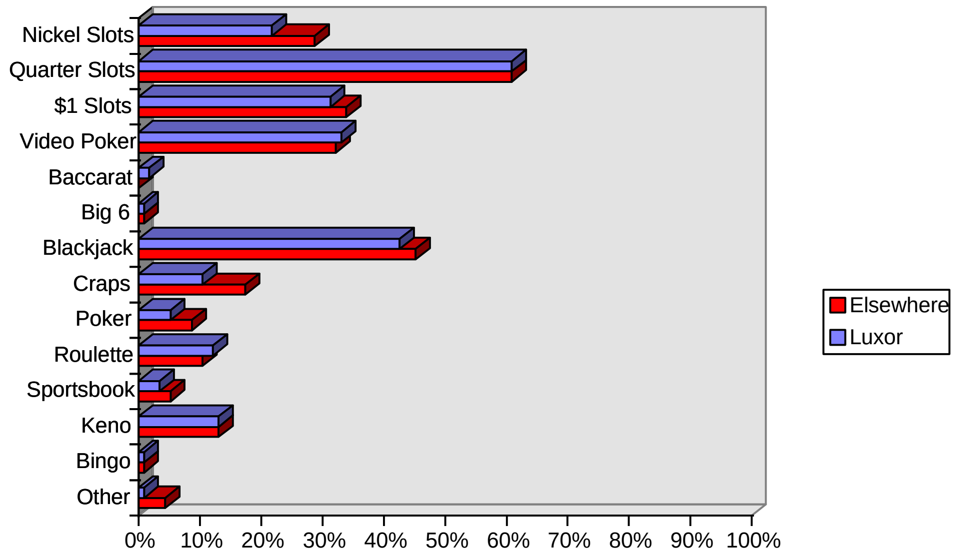
Figure 32: In Search of the Obelisk
Patron Gambling Preferences



84% of Ride #1 patrons gamble

7. Ride #2: Luxor Live!

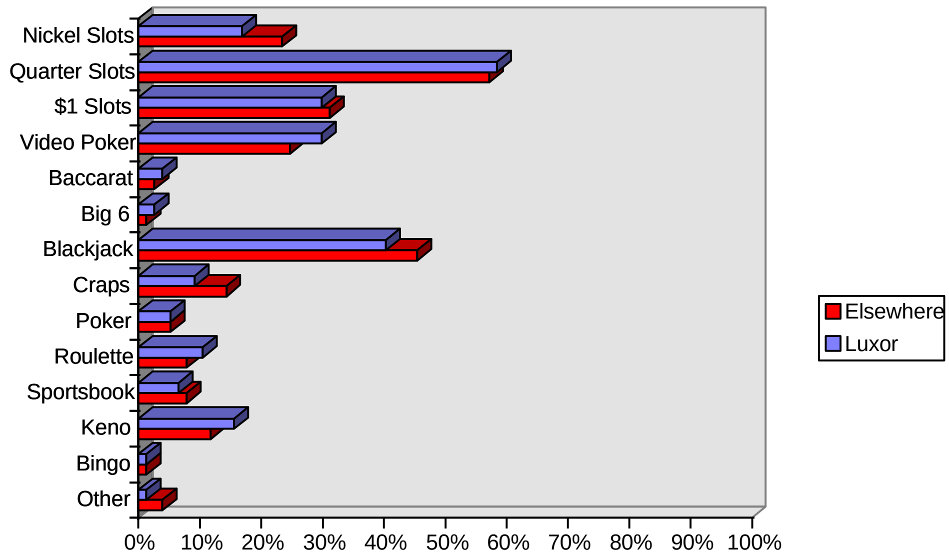
Figure 33: Luxor Live!
Patron Gambling Preferences



78% of Ride #2 patrons gamble.

8. Ride #3: Theater of Time

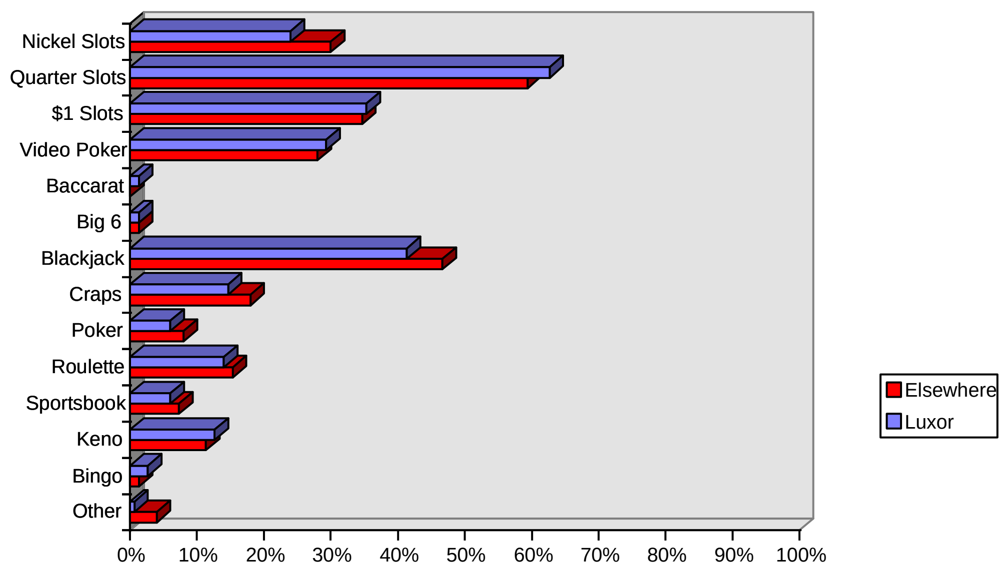
Figure 34: Theater of Time
Patron Gambling Preferences



74% of Ride #3 patrons gamble

9. Sega VirtualLand Arcade

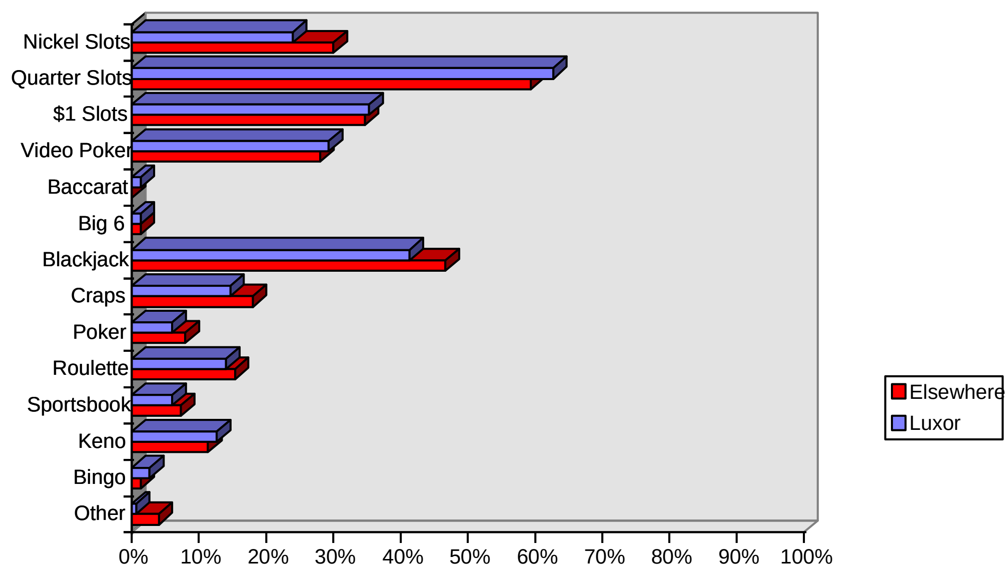
Figure 35: Sega VirtualLand Arcade
Patron Gambling Preferences



80% of Sega patrons gamble

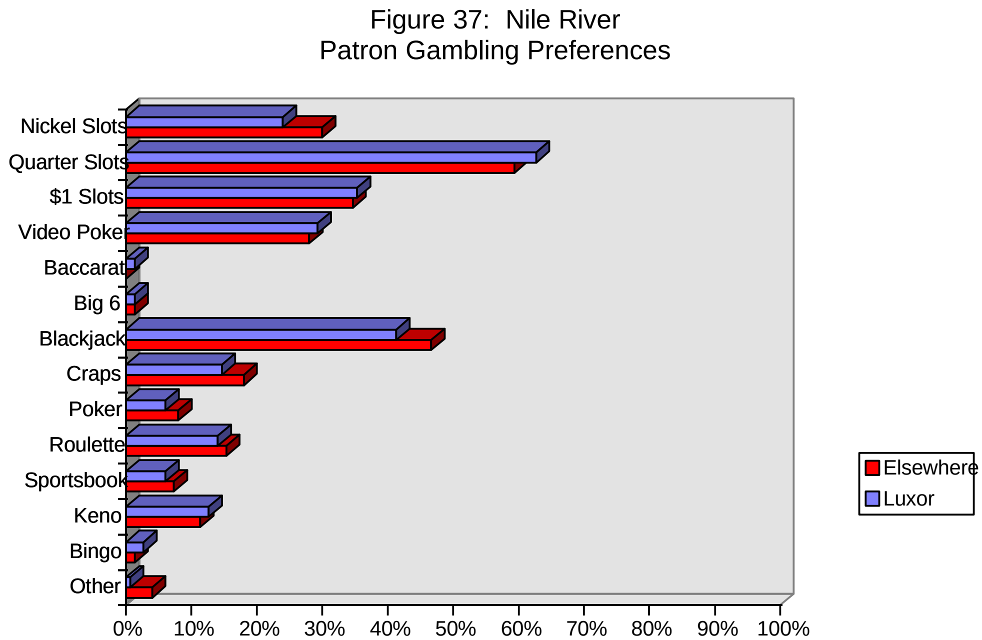
10. King Tut's Tomb and Museum

Figure 36: King Tut's Tomb and Museum
Patron Gambling Preferences



80% of Museum patrons gamble

11. Nile River Adventure Tour



81% of Nile River patrons gamble.

IX. CONCLUSIONS

1. Summary of Key Findings

The market positioning of the Luxor is successful. R&A patrons perceived the hotel/casino as upscale and pioneering. Both guests and nonguests place the Luxor in a competitive set with other hotel/casinos marketed to affluent consumers. The R&A entertainment reinforces this perception and positively impacts revenues by increasing the hotel/casino's appeal to R&A patrons shown to have higher annual household incomes than typical Las Vegas vacationers.

Significantly, R&A patrons are spending money not only on nongaming entertainment but also in the casino. Over 80% of R&A patrons plan to gamble or have gambled at the Luxor. Indeed, most of the nonguests who are drawn to the Luxor because of the R&A entertainment also gamble while there. Interestingly, guests with children show the greatest preference for gambling at the Luxor rather than elsewhere in Las Vegas.

The novelty and mystical Egyptian theming of the Luxor also attracts customers to the hotel/casino. The nongambling venues contribute significantly to novelty and the Egyptian ambiance by using leading edge technology to create entertainment with story content that supports the hotel/casino's archeological motif. Guests are more general and nonspecific in citing this trend than nonguests who are more likely to mention the rides and attractions as influencing their decision to visit.

R&A patrons link their experiential satisfaction with the nongambling venues to their overall perception of the hotel/casino. For the most part, patrons rate rides similarly in terms of being "worth the time," a "value for the money" and "worth recommending." Occasionally, however, whether or not a patron "would recommend" a particular venue is distinct from their satisfaction with regard to "time" and "money." Enjoyment of the rides and attractions varies across all seven venues and cannot be explained by demographic characteristics such at age or income.

X. ALTERNATIVE ACTIONS

Two diametrically opposed courses of action emerge as viable alternatives grounded in the data. Examination of arguments for and against each alternative will guide the recommendations that follow.

1. Alternative I: Focus the hotel/casino's entertainment mix on gambling alone.

For: The bottom line benefits of nongambling entertainment with respect to quantifiable casino revenues remain speculative. Time spent on rides and attractions is time not spent gambling in the casino. Although it is true that the vast majority of the R&A patrons, both guests and nonguests, gamble while at the Luxor it does not follow that without the R&A entertainment, they would not have gambled at all. Attributing causation to the perceived relationship between gambling and nongambling entertainment is a logical fallacy. Therefore, given the higher income profile of guests and their tendency to gamble more within the Luxor casino, a more effective use of hotel resources is to commit the R&A space to gambling-oriented activities. This shift in strategic focus would enable the reallocation of resources to developing and advertising casino operations.

Against: Although a sound argument, this alternative fails to recognize the role of R&A in defining the Luxor's appeal. Both guests and nonguests are drawn by the newness, mystique and Egyptian theming. The R&A entertainment contributes to this appeal. Removing the R&A could very well undermine the Luxor's pioneering allure. To guests, the Luxor's appeal is due to its “new and mysterious” positioning and to nonguests, the R&A reinforce that perception by the very nature of the new technology and story content with which they are designed. The relationship between the Luxor's positioning and the R&A, therefore strengthens the expectations of guests and nonguests alike driving the potential for positive recommendations and powerful word of mouth advertising.

2. Alternative II. Maintain the current mix of gaming and nongaming entertainment.

For: R&A entertainment, by drawing both guests and nonguests to the hotel/casino, clearly contribute to the Luxor's primary revenue stream, the casino. The hotel/casino, therefore, must capitalize on this relationship. Leveraging its unique blend of gambling and nongambling forms of entertainment provides additional opportunities for the Luxor to generate revenues by broadening its appeal to a wider range of demographic and psychographic customer segments.

Against: Pursuing too broad an appeal runs the risk of diluting the hotel's unique and successful positioning. In short, attempting to be all things to all people could backfire, eroding the hotel’s distinct positioning advantage relative to a myriad of other competitors.

XI. RECOMMENDATIONS

1. Continue commitment to nongambling entertainment attractions.

- Use primary research methods such as focus groups and surveys to further define critical issues and clarify customer preferences with respect to specific rides and attractions.
- Enhance attractions that are perceived by R&A patrons as successful.
- Diagnose sources of dissatisfaction with underperforming rides and take corrective action.

2. Build awareness of rides and attractions to leverage their effectiveness in generating incremental revenues.

- Utilize the customer, ride and gambling profiles defined in this study to guide future advertising and marketing campaigns.
- Market the newness, mystique and Egyptian theming of the hotel/casino outside of Las Vegas to attract guests to the Luxor.
- Advertise the attractions heavily within Las Vegas to draw nonguests to the hotel/casino.
- Revisit the strategy of marketing the hotel/casino as "family-friendly" especially with regard to higher income parents.
- Cross-promote the rides and attractions with each other and with the casino.

3. Implement on-going market research to refine hotel/casino positioning, monitor shifts in customer preferences and gauge effectiveness of process and product improvements.

- Exploration of the hypothesis that nonguests who are drawn by R&A entertainment came only because of that entertainment. This would conclusively establish R&A contribution to incremental casino revenues.
- Identify R&A awareness levels both inside and outside Luxor's physical grounds. This will help identify why potential patrons may not be attending the hotel/casino's nongambling entertainment venues. Findings could help shape future advertising and marketing campaigns.
- Utilize Anderson School field study teams to gather, analyze and present research findings.

XII. APPENDICES

1. Appendix 1a, Age Breakdown by Guest/Nonguest and Weekend/Weekday

Figure 38: Guest Age Distribution

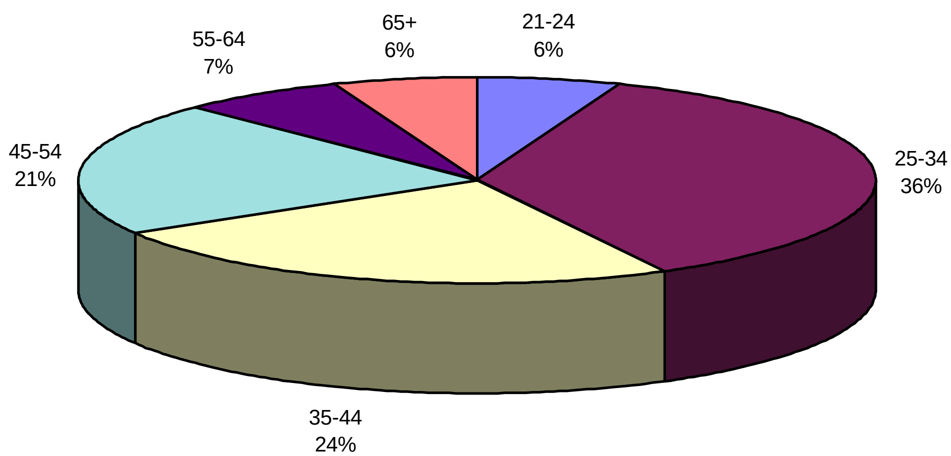


Figure 39: Nonguest Age Distribution

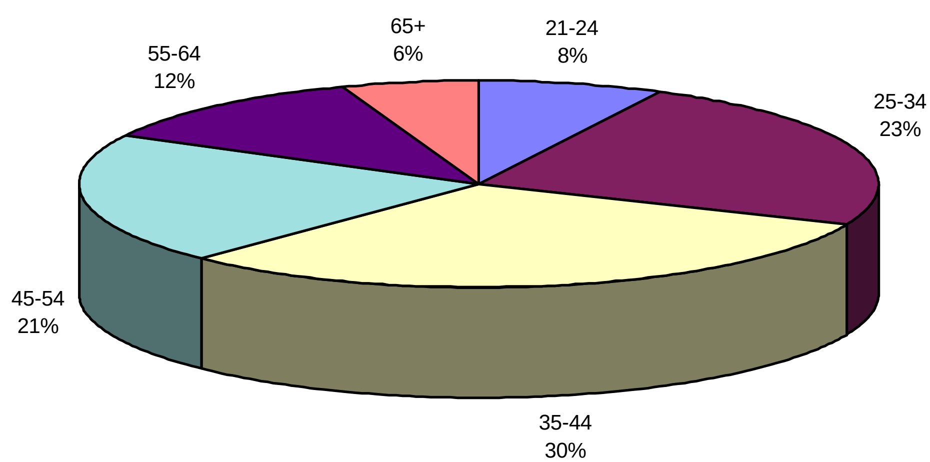


Figure 40: Weekend Age Distribution

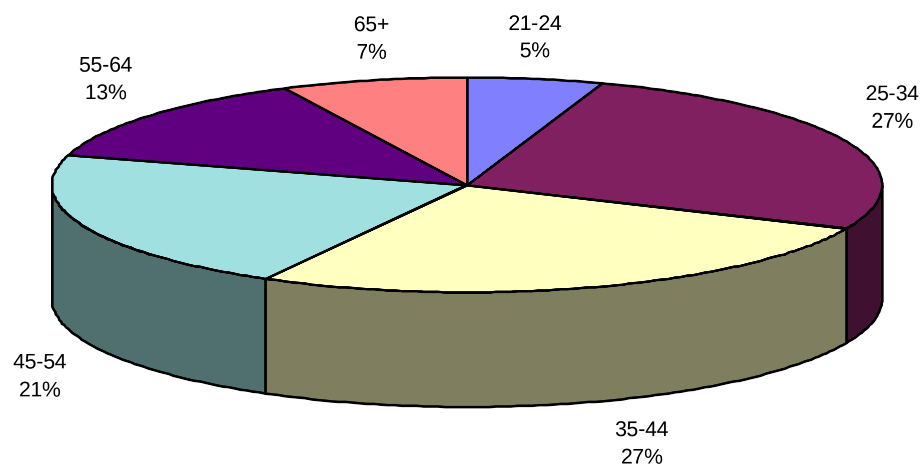
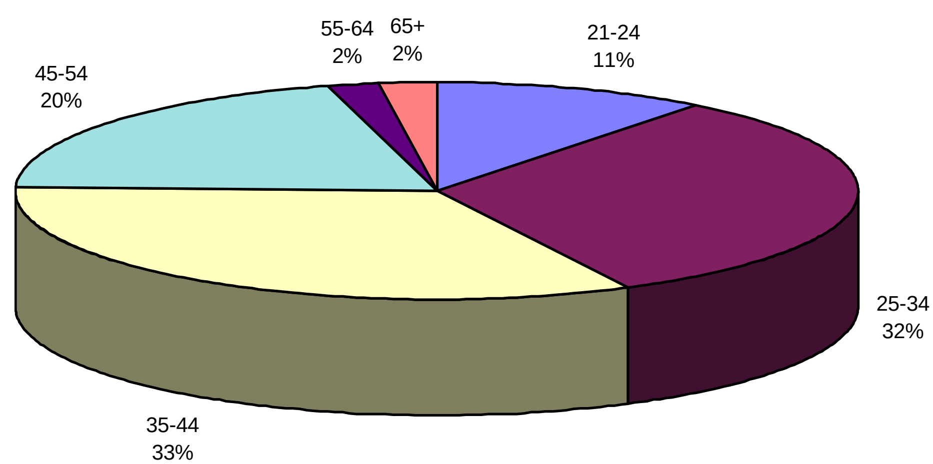


Figure 41: Weekday Age Distribution



2. Appendix 1b, Number of Recent Las Vegas Visits by Weekend/Weekday and Guest/Nonguest

Figure 42: Number of Visits in Past 12 Months Among Guests

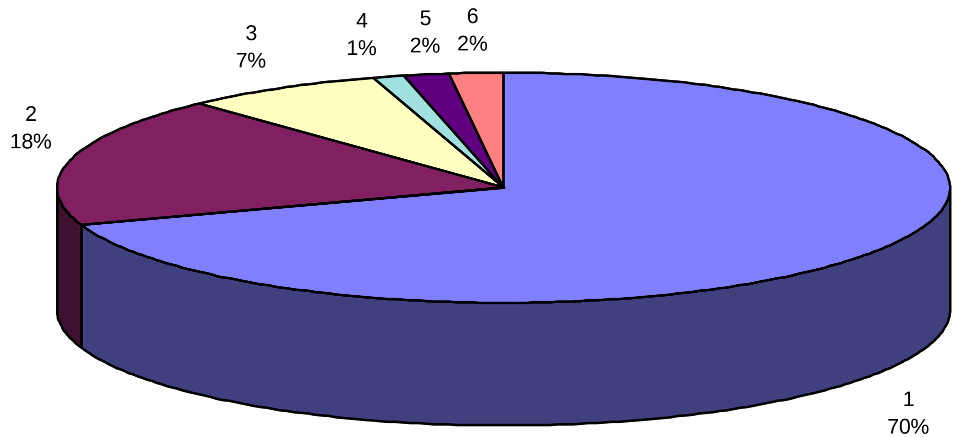


Figure 43: Number of Visits in Past 12 Months Among Nonguests

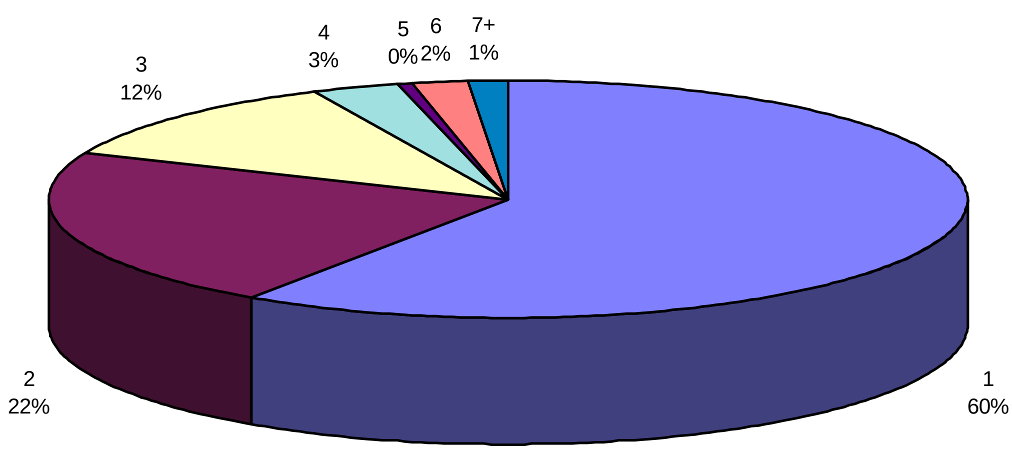


Figure 44: Number of Visits in Past Year Among Weekend Patrons

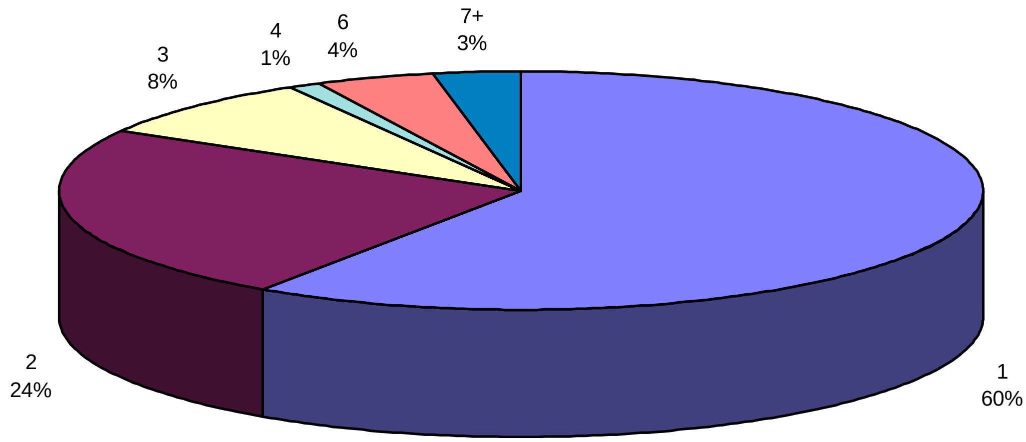
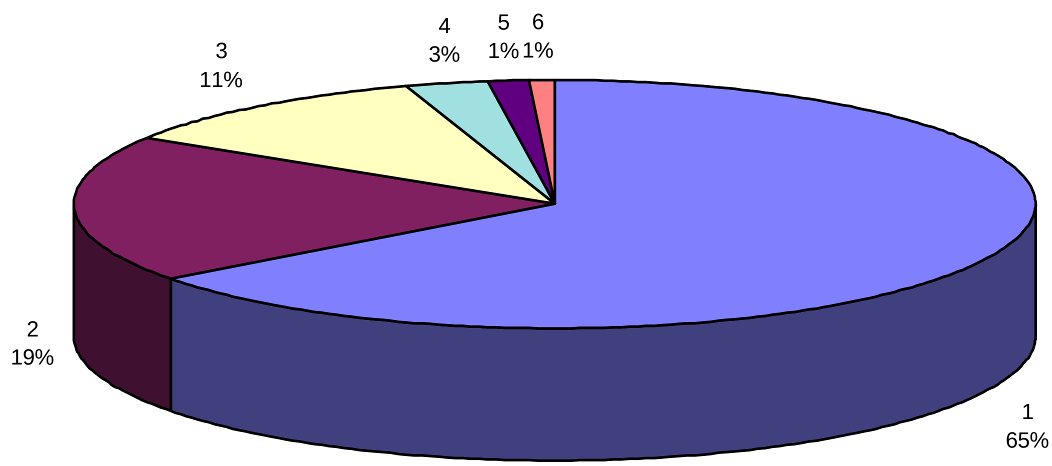


Figure 45: Number of Visits in Past Year Among Weekday Patrons



3. Appendix 1c: Guests with Children, Income and Gambling Preferences

Figure 46: Income Distribution,
Guests with Children

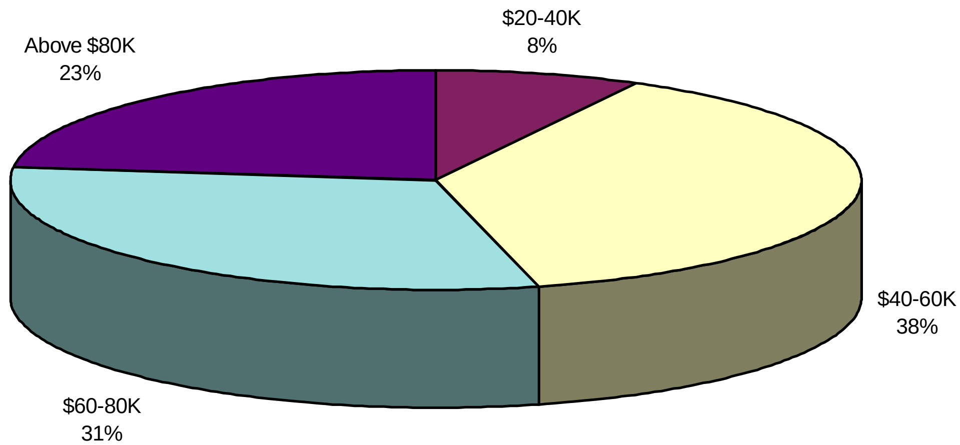
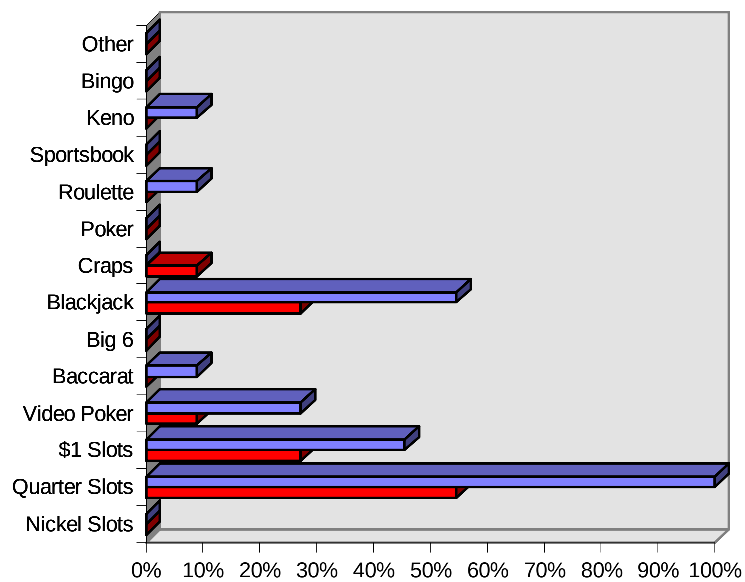


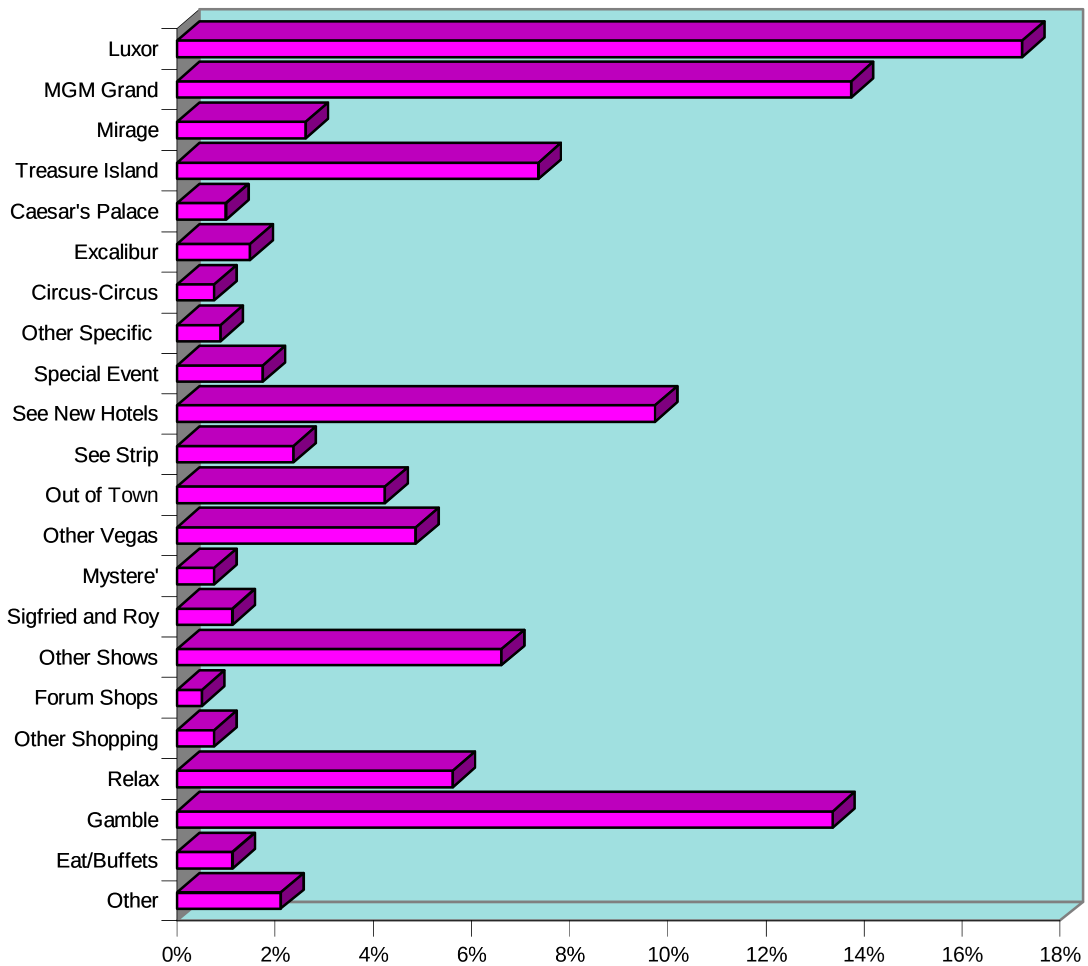
Figure 47: Gambling Preferences,
Guests with Children



Note: Due to the small number of respondents in this category, the margin for error is larger than the 3% used in other sections of this report. However, general trends such as higher income and greater preference to gamble at the Luxor are significant despite the additional margin for error.

4. Appendix 1d: Full Breakdown of "Must See" and "Must Do" Categories

Figure 48: "Must See" and "Must Do" Categories
Percentage of Patrons Mentioning Each



5. Appendix 2a: Regressions

In the regression approach, past data on the relevant variables is used to develop and evaluate a prediction equation. Below is a table of all dependent and independent variables that we regressed. Regressions were run with each of the Y variables with both X1 and X2 independently and in a multiple regression, which gives 30 separate equations.

Dependent Variable	Independent Variables	
	X1	X2
Y	Age	Income

(1) "worth the time" (for each R&A)
(2) "good value" (for each R&A)
(3) "worth recommending" (for each R&A)
(4) "important to visit" (Question 4)
(5) "important for experience" (Question 5)

None of these variables yielded any significant relationships, with the majority of R-square statistics being below 5%. This demonstrated that the dependent variables could not be predicted by age or income of the participant.

Regressions were run on the segmented data: hotel guest and non-guest, weekend and weekday patrons. The same dependent and independent variables as above were used. Finally, R&A patrons were segregated into two groups: 1, 2 and 3 ratings, as the "unsatisfied group" and 5, 6 and 7 as the "satisfied group" for each of the Y variables described and ran regressions with age and income. Once again it was not possible to explain Y's by X's.

6. Appendix 2b: Correlation

The correlation measures the strength of the relationship between X and Y. The stronger the correlation, the better X predicts Y. Correlations among “worth the time”, “good value” and “worth recommending” were examined for all seven rides and attractions. There was a very strong correlation between the three factors ranging from 74% to 95%, with the majority of values between 80 and 90%. Therefore, “worth the time” was selected as the representative description of satisfaction with each ride or attraction.

7. Appendix 3: Implementation Opportunities

A. Continuous renewal campaigns. Opportunities are available for continuous renewal of the rides and attractions.

- Upgrades to existing venues will help make them more robust and encourage repeat attendance. For example, changing the film presentation in the "Secrets of the Luxor" theaters, by altering the "software" or story content, could effect such renewal without committing considerable capital expenditure to physical construction or "hardware."
- Continuous renewal can be achieved through marketing techniques as well. For example, advertising and promotional materials could feature different rides and attractions as well as highlight different aspects of the R&A experience, to create and sustain the perception of newness to potential guests and patrons.

B. Sources of additional revenue. The Luxor can capture incremental revenues by adjusting the pricing structure of R&A tickets and by optimizing the proximal placement of nongambling and gambling forms of entertainment.

- Pricing opportunities arise from the fact that R&A patrons do not appear especially price sensitive. The correlation of satisfaction rankings for "worth the time" and "worth the value" suggest that, at current price levels, R&A patrons do not isolate price as an independent factor. Therefore, the Luxor should be able to raise the price of individual rides, say, by $1, while leaving the overall bundled price for packages of rides at the current bundled rate. In this way, management can maximize revenues by capturing additional dollars from those patrons who select only one or two rides, at the same time that the pricing strategy encourages more patrons to purchase the bundled, multi-ride pass since it will now appear to be more heavily discounted, thus offering a better value.
- "Winds of the Gods," although well liked by those who go, is currently under attended. On any given night, management reports, the theater is only half full. Experimenting with a "matinee" in the late afternoon (a "Happy Hour" cocktail show), at a lower price than the evening show, would help determine whether price or underpromotion is the underlying cause of the program's poor attendance.

C. Place gaming machines near rides and attractions.

Because such a high percentage of the R&A patrons gamble, the Luxor could receive additional incremental casino revenues by placing gambling machines near nongambling entertainment. For example, several competitor hotel/casinos place gaming machines in hallways outside dining environments where visitors are likely to wait in line before eating. One possible Luxor location is the area outside of the museum and the Pharaoh's theater, especially since demographically these patrons display strong gambling patterns.

D. *Cross-promotion.* Cross-promotional advertising could facilitate further revenue generation. Alternatives include promotion among the individual rides, between the rides and the casino and between the Luxor and its sister Circus Circus properties.

- Within the hotel, a correlation between patrons satisfied with the Nile River Tour and patrons satisfied with the cocktail show suggests that these two venues should be cross-promoted, perhaps by thematically integrating an abbreviated scene from the cocktail show into the River Nile Tour. A second promotional strategy might entail advertising the "Winds of the Gods" at the most highly rated venues, in order to leverage the strengths of the more popular R&A to improve the show's attendance.
- The current platform of rides could also support advance publicity of upcoming rides and attractions, generating interest among current R&A patrons already predisposed to like R&A.
- As an example of cross promotion between R&A and the casino, the cocktail show is a perfect place to promote the Gold Chamber Club, given the affluence and propensity to gamble of its patrons..
- As between Circus Circus hotels/casinos, the sister properties could cross-promote their nongaming entertainment by offering a ride pass allowing entrance to venues at all Circus Circus properties.

8. Appendix 4: Focus Group Questions

Overview

Initial focus groups will provide a forum to gain insight into critical issues regarding the positioning of the Luxor hotel. Additionally, they will help develop a common vocabulary for discussing these issues. Groups will be run with both Luxor middle management and floor staff.

Possible Staff Discussion Questions

1. Why do you think people come to the Luxor?
2. What is the perception of the Luxor by guests and locals?
3. Would the Luxor be a guest's first, second, third or what choice?
4. Which other hotels would they consider?
5. Out of every ten guests, how many do you think will come back to the Luxor?
6. What do you think guests expect to find when they come here?
7. Do you think those expectations are met?
8. What does the black pyramid represent?
9. What is the hotel's main theme?
10. How important do you think the casino is?
11. How important do you think the entertainment is?
12. When a guests asks you to suggest something fun, what do you normally say?
13. What's the number one attraction here?
14. What was the most recent positive comment you were told?
15. What was the most recent negative comment you were told?
16. What do you think the most important thing the hotel has to offer is?
17. If you could make one recommendation to improve the hotel what would it be?
18. If you were the general manager, what is the first thing you would do on Monday morning?

Wrap-up Question

If you could made a recommendation to the president of the hotel, what would you tell him?

9. Appendix 5: Surveys

- Screener (One page)
- Guest Survey (Seven pages)
- Nonguest Survey (Seven pages)