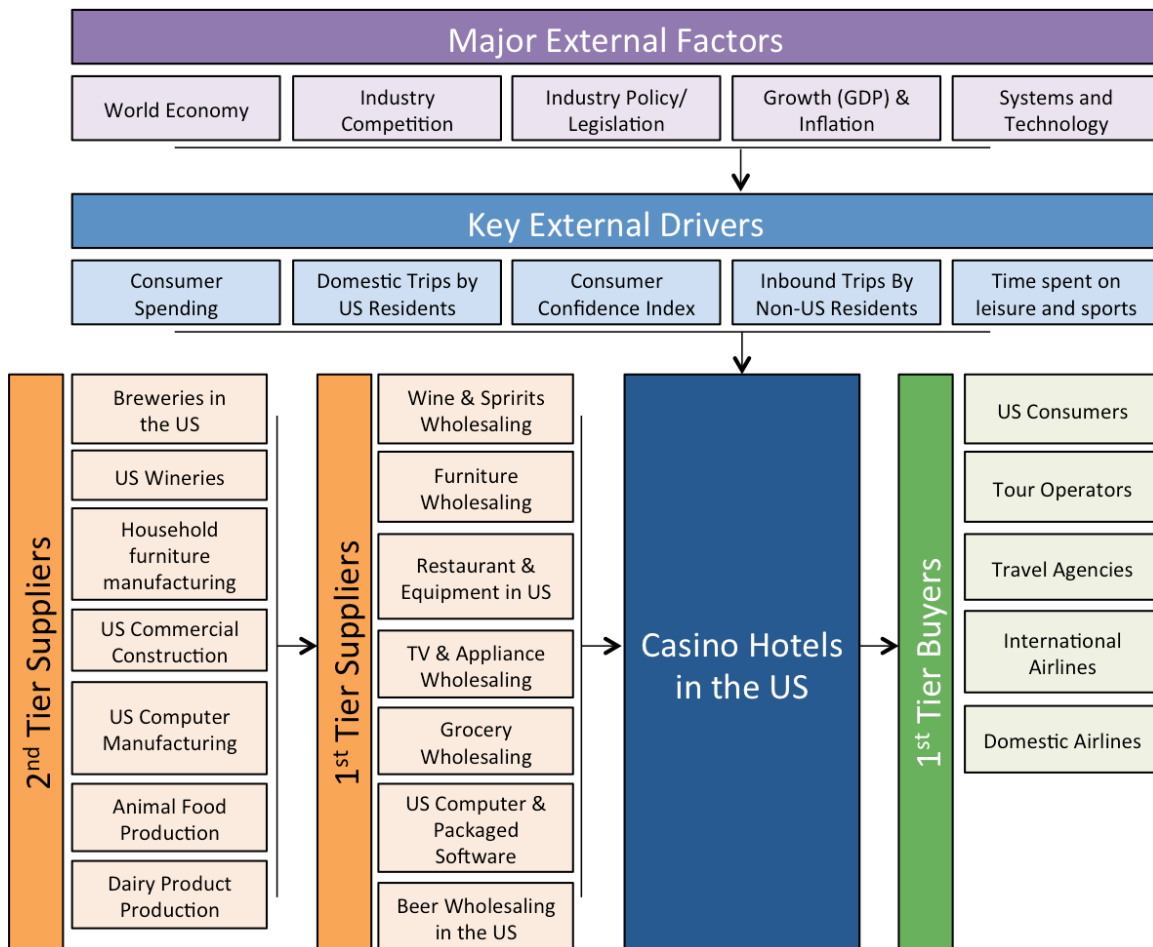


Industry Analysis: NAICS 721120 - Casino Hotels

Defined: Short-term lodging in hotel facilities with a casino on the premises. The casino on premises includes table wagering games and may include other gambling activities, such as slot machines and sports betting. These establishments generally offer a range of services and amenities, such as food and beverage services, entertainment, valet parking, swimming pools, and conference and convention facilities.

Industry Supply Chain and Structure:



Industry Analysis

Barriers to Entry	Restrictions on licenses and massive costs	High	⚠️
Competition	Rivalry and alternatives	High	⚠️
Concentration	Minor consolidation to achieve growth	Low	✅
Life Cycle Stage	Low growth in revenue and declining profitability	Mature	⚠️
Technology Change	Remarkably large growth with internet presence	Very High	⚠️⚠️
Regulation & Policy	Licensing, employee scrutiny, restrictions	Heavy	⚠️
Industry Assistance	No direct government assistance	Low	⚠️

Market Conditions

- In 2002, the estimated total revenue of the casino hotels industry was \$24,358 million. There were also estimated to be 269 establishments, which employed 275,237 people. Total wages paid were estimated at \$8121 million.
- Affected by decline in travel by gamblers after terrorist attacks in Sep. 2001
- High stake players represent a small proportion of total visitors, they can contribute between 20 and 50 per cent of a casino's revenue
- The ambience, hospitality, customer service offered to patrons and the associated facilities are important as is the marketing/promotion effort.

Cost Structure - Capital/Labor Intensity

- The major cost is wages, which can account for a third of total revenue.
- Wages account for ~33% of revenue and ~6.5% of depreciation
- Labor to capital ratio is 1:0.2, which indicates highly labor intensive
- Based on the need for high levels of personal service in all areas of business

Potential Disruptive Innovation

Factor	Disruption	Description	Level	
Rate of Innovation	Likely	Rise of internet and technology	High	⚠️
Innovation Concentration	Very Likely	Mergers combining research	Very High	⚠️⚠️
Ease of Entry	Unlikely	Measures by external forces	Very Low	✅✅
Rate of Entry	Potential	Growing competitive alternatives	Medium	⚠️
Market Concentration	Likely	Maturing lifecycle - consolidation	High	⚠️

Key Success Factors

- Research and understanding - needs of patrons and competition
- Ability to attract local support/patronage and having a loyal customer base
- Access to multi-skilled and flexible workforce
- Access to the latest available and most efficient technology and techniques

Industry Outlook and Forecast:

In 2003 the continuing slow recovery in the rate of economic growth, continuing fluctuations in business and consumer confidence and an uncertain geopolitical environment, is expected to lead to only a slow recovery in industry revenue, employment and net incomes

In the short term, most casinos are expected to continue to increase their share of revenue from slot machines (particularly low coin value machines) which are mainly played by the local population in the catchment areas in which they are located. The competition for the premium (or high stake players) both from domestic and international sources will intensify and some casinos may actually withdraw from chasing this market in the short term as costs and incentives to attract this market increase significantly,

Over the period to 2007, the industry is facing a highly competitive environment and this will require on-going and increasing level of professional management at all levels of operation in all casinos to ensure that individual operators will remain viable. There will continue to be financial and operating risks associated with continuing to chase the high stakes gamblers over the whole of the outlook period.