

## Case Summary

The case study seeks to demonstrate the use of expenditure based segmentation method to find out who are the Mainland Chinese visitors in respect to spending in Macau both on gaming and non-gaming activities. The profiles of the gaming and non-gaming visitors are generated to reveal a depiction of the existing Macau visitors' market. To achieve this end, surveys were undertaken near the six identified casinos in Macau. Altogether 700 interviews were conducted, 504 questionnaires collected were found useful for data analyses. The sample respondents on average spent HK\$3,227 (HK\$1=US\$7.8) on gaming and HK\$3,476 on non-gaming. Light, medium and heavy gaming expenditures and non-gaming expenditures segments are created and analyzed according to their demographics and their expenditures. Overall, there is a high intention for the visitors to revisit the casinos. Analyzing the expenditures of the visitors to the six identified casinos revealed that Grand Lisboa attract more visitors from the gaming group, whereas Crown, Wynn and Venetian are able to attract more visitors from the non-gaming group. The study extended the literatures on profiling and segmenting Mainland Chinese visitors in Macau. The case study also require students to consider and offer possible solutions to casinos management and marketing questions posed and to apply their knowledge to evaluate the problems involved.

## Teaching Objectives and Target Audience

The case study can be distributed in class for classroom discussions and responses can be prepared by individuals or groups of students. Target audience can be graduates or undergraduate students enrolled in casinos management or marketing management courses. The case study can be linked to course content to provide students opportunities to practice their analytical and communication skills. Students are also encouraged to collect relevant data from a variety of sources, trying to comprehend, analyse and evaluate the current casinos management and marketing issues in Asia and can try to compare to those in the United States.

Based on the study objectives, the case teaching objectives can be:

- To explain the way to segregate the visitors' gaming and non-gaming expenditures into light, medium and heavy segments;
- To demonstrate the developing of visitors' profiles based on their gaming expenditures and non-gaming expenditures;
- To compare and contrast the visitors' profiles developed for gaming and non-gaming expenditures;
- To explore the spending pattern of the light, medium and heavy segments on six major selected casinos and to seek for the appropriate marketing strategies for each spending group for the selected casinos;

- To explore the visitors' revisit intention to casinos;
- To provide recommendations to the casinos marketers on marketing casinos to visitors.

## Questions for Discussions

The followings are questions can be used in the classrooms for discussions or can be employed for assessment depends on the learning outcomes to be measured and at the discretion of the teacher:

*(1) How different are the performances of the Asia Pacific based casinos and the US based casinos in capturing the different segment groups? At what target market would the Asia Pacific based casinos and the US based casinos aim in their marketing strategies? Why?*

Grand Lisboa was able to capture the medium and the high gaming groups. However, they are not able to capture the medium and the heavy non gaming groups. In view of the fact that revenues gain can be captured from medium to heavy spending gaming groups, Grand Lisboa needs to consider the diversification of revenue streams in the future; it is a long term effort to tap revenue from the non-gaming groups in particular, family entertainment. On the contrary, Crown, Wynn and Venetian are able to capture the non-gaming segments but less on the gaming segments. The president of MGM Grand Paradise Ltd, Grant Bowie commented recently that the company acknowledged that the MGM brand, while household in US gaming was not as strong as they expected in China (Casinos News, 2010). Furthermore, in examining the relationship between customer-based casino brand equity and firm performance, Asia Pacific-based casino brands in Macau found to outperform their U.S.-based counterparts in terms of customers' perceived quality (Tsai, Cheung and Lo, 2010). These indicated that U.S.-based casino brands need to understand the profile characteristics and the needs of the Macau casino visitors to localize their marketing efforts and strategies.

*(2) Will Macau face the same problems such as overbuilding and a severe financial crisis in their future that Las Vegas faces today? Should they diversify their economy more by not putting too many "gaming eggs" in one basket to spread the risk?*

To attempt this question, students are advised to use a business framework for analysis and discussion, recommended to use Porter's Five Forces Industry Analysis or a flexible framework such as SWOT analysis. Students can analyze Macau's casino industry externally (macro) and internally (micro). External forces could be the general economic situation, support from government and regional competition, as compared to what Las Vegas encountered before. Internal factors could be labor issues, business models (such as utilizing VIP room operators in Macau compared to relying on junket reps in Las Vegas, etc)

### ***To use Porter's Five Forces can include:***

1. Rivalry among established firms: High.
2. Risk of threat of new entrants: Low to medium (Macau's casino industry is regulated by the government. Casinos are run by 6 concessionaires and sub-concession holders. In April 2008, Chief Executive of Macau announced that no new gaming licences would be granted in the near future. Renewal of the licenses of the six major operators depends on the Macau government).
3. Bargaining power of suppliers: Low to medium (No dominant suppliers for casino equipment. However, labor supply and cost is an issue).
4. Bargaining power of buyers: Medium to High: there are ample choices of casinos in Macau. Switching costs is low despite the fact that casinos are providing different incentives, VIP memberships to encourage loyal customers.
5. Threat of substitute products: Medium (Gambling is a form of tourists' activity which can be completed or substituted by other attraction such as shows and other form of entertainment in Macau, visiting cultural and heritage attractions, sightseeing, shopping, dining, etc.)

*(3) How might the expanding Asia cruise industry impact Macau and gaming in the future? Discuss what other types of gaming activities/venues could be threat to the development of Macau's casino industry?*

The Asia cruise industry will not have much impact on Macau and gaming in the future as their target market segments are different. To analyse if cruise gaming can become a threat to Macau gaming, students can refer to the gaming expenditure segments drawn in this case study to analyse the possible switch from Macau gaming to cruise gaming or cruise entertaining. Also students can collect figures to compare the revenues generated from Macau gaming and cruise gaming. Students can also discuss the threat of online gaming, the competition from Singapore and Vietnam.

*(4) In your opinion, what are the managerial implications for this study?*

The study results have certain marketing implications such as to whom and how to advertise and do promotion. The kinds of service experience expected by each segment and how to attract them using various marketing message or different marketing offers. Other human resources management implications for different casinos are to ensure their resources and capabilities can serve their target markets. More attention should focus on recruiting and retaining service employees as this is a key to the success in casino operations. Moreover, other internal marketing strategies suggested by Kale (2007) such as becoming the preferred employer; include employees in the company vision; training; communicating; measuring and rewarding strong performance; providing supportive infrastructure etc can help alleviate the foreseeable labor shortage in Macau's tight labor market for the

gaming industry.

*(5) What are the limitations of this study? How can the study method be improved? What advice might you have for the Macau Destination Management Office?*

The limitation of this study lies in the cross sectional research nature. Studies result can only reflect the situation at the time of the study. Also the method of dividing the three segments is mainly based on arbitrarily in proportion to three levels of frequency distributions of the amount of expenditures on gaming and non-gaming. Future studies should employ cluster analysis to segregate the visitors' profiles. Also, information such as length of stay, the number of casinos visited and the motives of visiting the casinos can also help to give a better picture of the visitors' profile. Including visitors from Taiwan and Hong Kong can also help the Macau's Destination Management Office and the casinos operators to plan for the future development of the tourism industry development and casinos industry development.

### **References**

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### **Additional Readings and Useful Web References**

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