

Missouri's four Kansas City area casinos sailed through 2010 despite the tough economy, and they all have plans to keep moving ahead.

That should make 2011 one more steady year for one of the country's most stable casino markets. But big changes will come in 2012, when the Hollywood Casino is expected to open at the Kansas Speedway.

It's been a fairly stable

environment in all the Kansas City casinos for a few years," said Tom Cook, general manager at Harrah's North Kansas City Casino & Hotel. "We really feel that we're appropriately sized so it's really not a market that's talking about expansion."

The market leader, Ameristar Kansas City Casino and Hotel, remained No. 1 by a comfortable margin last year, pulling in nearly \$241 million in total revenue. That was off less than half of 1 percent from its 2009 total of \$242 million. Harrah's moved into the No. 2 spot, increasing its revenue 1.6 percent, to nearly \$199 million. That moved it ahead of Argosy Casino Hotel & Spa, which had the area's only notable revenue loss, nearly 3.5 percent, and brought in \$192 million.

The smallest of the four, Isle of Capri Casino, was in its usual fourth place, at nearly \$82.4 million in revenue, down just 1.1 percent.

Altogether, that gave the area boats revenue of \$714 million, down just eight-tenths of 1 percent from 2009. That made 2010 only the second year that area casino revenue has declined, along with 2008, and left it short of the 2007 record of \$720.7 million.

Area casino revenue edged up in 2009, thanks mainly to the repeal in late 2008 of the state rule that had kept high-rollers from losing more than \$500 every two hours.

Statewide, the picture was even brighter. In St. Louis, the River City Casino began operating in March, routinely pulling in \$13 million or \$14 million in revenue a month and replacing the old

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President riverboat, which pulled in less than \$2 million a month in 2009 as its operations wound down. As a result, Missouri's total casino revenue in 2010 was nearly \$1.79 billion, up 3.3 percent from 2009.

For most states with casino gambling, 2010 was a down year. Those that did prosper, such as Pennsylvania, did so by expanding their offerings and hurting the second-largest U.S. market, Atlantic City. Pennsylvania is trying to become the gambling capital of the East Coast, and New York, Maryland, Maine and Delaware also have started offering gambling.

Atlantic City revenue dropped 9.6 percent in 2010, following a record 13 percent drop in 2009.

Final 2010 numbers for casinos in the No. 1 market, Las Vegas, and the rest of Nevada have not been released, but it has been a mixed year that probably will lag 2009. After more than two dozen months of year-over-year declines, Nevada casino revenues were up in August, September and October. But they declined in November, and December results have not been released.

Analysts say one development hurting Las Vegas is that gambling has exploded in the Chinese city of Macau, where revenue was up 58 percent last year. Macau has replaced Las Vegas, they say, as the destination for many big-spending Asian gamblers.

Closer to home, Iowa's year was more like Missouri's, though not as good. Although official totals haven't been released, a tally of monthly statistics indicates that Iowa's many small casinos saw their total revenue drop just 1.6 percent, to \$930 million. And revenue at the state's three racetracks ticked up by half a percent, to \$438 million.

Illinois also saw its casino revenue fall, by 3.8 percent, to \$1.37 billion.

Why did the Kansas City area do better than those neighbors?

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Argosy general manager Ameet Patel pointed to two factors: Consumers cutting back on big destination trips, hence the regional casinos have done relatively well, and Missouri's stable regulatory environment.

Patel noted that casinos in some states, such as Illinois, have had to deal with tax rate adjustments, smoking bans and other changes that have cut into profits and made it difficult to plan.

Here's a boat-by-boat look at Kansas City market:

Ameristar

If you call Ameristar and are briefly put on hold, you'll hear a promotional message that includes: "Just look for a Hot Slots sign and you know it's fun to play."

Talk with casino executives and you'll hear the same message. As midyear approached, the area's top-grossing casino changed its slot machine area, and it appears to have paid off. The casino and other Ameristar properties now make it a point to get new slots

every 90 days and to group the most popular machines in a well-

labeled Hot Slots area.

"A guest who hasn't been to our casino since the first half of 2010 and comes in now just sees almost a brand-new casino," said Sean Barnard, the Kansas City Ameristar's general manager. "We've focused on enabling our guests to quickly find new machines and the most popular slots, instead of wandering around the casino trying to find the new slots, trying to find what's a little bit different."

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The strategy appears to be working, too. After being down in year-over-year revenue each of the first five months of 2010, Ameristar was up in five of the seven months after the new slot strategy kicked in. And Barnard hopes that will continue.

“We’re finding the guests are getting excited about the next 90-day change out for the slots,” he said, which is coming in February.

Ameristar also has some expansion in the works, rare in these tight times. The casino hotel has had consistently high occupancy rates, Barnard said, “which is something to be pretty proud of in this economy.”

So 100 hotel rooms will be added in the second half of 2011 and will be ready to open in 2012.

Harrah’s

The No. 2 casino by revenue was the only area boat whose revenue was up from 2009, by about 1.6 percent. Cook said, “We’ll take it! We grew our revenues and according to our customer surveys we were able to improve our customer service scores, year over year.”

Like every casino manager, Cook said customer service and getting and keeping good employees were essential: “It’s a balance of treating your employees right, treating your customers right.”

He also said Harrah’s has had great success, through its rewards program for regular customers, in identifying players in other Harrah’s markets who might be interested in coming to Kansas City for special entertainment packages.

“Both our property in particular and Kansas City in general are fun places to be,” said Cook, so it has worked to have people stay and play at Harrah’s, and see a concert or game. “Over the season, we’ve had over 200 folks from Chicago come watch the White Sox play, over 50

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players from New York come watch the Yankees, and even regionally had over 150 people come for the I-70 series between the Cardinals and Royals.

Cook said Harrah's also had put together packages for the Elton John and Billy Joel concert at the Sprint Center and the Sprint Cup NASCAR race at the Kansas Speedway.

"We're thinking creatively about Kansas City as an attraction," he said. "The goal is packaging the best of what Kansas City has to offer and to create experiences that our players cannot find in other

cities."

Cook said once Missouri removed its loss limits, it made more sense to put together packages to attract higher-stakes players. And Harrah's extensive database from its rewards program and customer surveys made such marketing easier and more effective.

Argosy

Patel said Argosy did feel the effects of the flat economy, especially when consumer confidence did not pick up in the second half of the year as some had expected.

"People are still coming," he said, "but spending less and being more careful with their discretionary income."

Despite the tough economy, he said, Argosy accomplished two big projects last year. A \$10 million road improvement project done with the city of Riverside added a bridge over railroad tracks and greatly improved access to the casino, Patel said. "By Thanksgiving, for the first time we had absolutely no railroad obstructions," he said.

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And earlier in the year Argosy made \$1 million in renovations and improvements to its ballroom and banquet facilities, to help attract more regional conventions and other gatherings.

Patel also said he was particularly proud that for the fifth straight year Argosy had no layoffs and maintained its roughly 1,000-person work force.

(The other casinos, after some staff cuts in previous years, also said they had been able to keep their head counts steady in 2010: about 1,300 at Ameristar; 1,000 at Harrah's; and 475 at Isle.)

Isle of Capri

Isle has less gambling space and fewer table games and slot machines than the other area casinos. But it continues to hold its market share around 11 percent, and it has just added a restaurant and entertainment spot, the Lone Wolf.

But its biggest boost could come from something beyond its control, the new Bond Bridge, giving people easier access to the casino.

“The opening of the Bond Bridge ahead of schedule” in late 2010 was a big plus, said general manager Paul Avery. “Considering the economy, we’re quite pleased with the year we had.”

And with the bridge open for 2011, and the Lone Wolf adding another place to eat and free live entertainment every Friday and Saturday, Isle plans to stick with what has worked. That’s a strategy that emphasizes freshening up its slot machines throughout the year, and setting the odds so that more players win a little more frequently, rather than trying to draw people with fewer but bigger jackpots.

“In our business you have to listen to your patrons,” Avery said. “Value is what they wanted and still want. We have the loosest penny slots in the market, which leads to the value.”

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Debra Jenkins, Isle's spokeswoman and an original employee from when the property opened 15 years ago, said: "Cash is king. Our customers want cash, so we have lots of winners. We've tried not to have just one big winner once in a while."

And although Isle doesn't have any big plans on the drawing board, Avery said he's already ready to move quickly if customers identify something they want.

Looking ahead, the Missouri casino market will be getting another casino, but not in the Kansas City area. The Missouri Gaming Commission last month awarded the state's 13th license to Isle's proposal for a \$125 million casino in Cape Girardeau.

A proposal to put the new casino in Sugar Creek, which would have changed the Kansas City market, also was considered. But some research presented to the commission indicated that the Cape Girardeau location, in southeast Missouri, had the best odds of bringing in new revenue for the state rather than taking away from existing markets.

Gamblers now have an option on the Kansas side of the state line, the 7th Street Casino in Kansas City, Kan. Data for the relatively small, tribal-run casino aren't regularly released, but it is thought to bring in \$15 million to \$20 million a year. And that could grow because the state has reached a tentative agreement with the casino, subject to legislative approval, to let it upgrade to full-fledged slot machines.

But the big challenge to the area market's stability will come next year, when the \$200 million Hollywood Casino at Kansas Speedway hopes to meet an early 2012 opening date.

The project includes a 268,000-square-foot casino and a 1,500-space garage. And it's expected to pull in \$200 million in annual revenue — not as much as Ameristar currently, but on a par with Argosy and Harrah's. How much of that comes from the Missouri casinos, and which of them feel the effects the most, won't be known until the end of 2012.

"That will be an exciting change," said Cook of Harrah's. "We'll certainly know that a new competitor's coming to town."

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Top 10 months

The Kansas City market didn't reach its highest heights in 2010, but it did have two months that were among its best monthly revenue generators. Revenues are in millions.

March 2007 □ \$66.87

March 2008 □ \$64.97

May 2008 □ \$64.9

March 2006 □ \$64.25

December 2006 □ \$64.14

May 2010 □ \$63.8

March 2009 □ \$63.7

May 2009 □ \$63.62

July 2010 □ \$63.5

Jan. 2009 □ \$62.17

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