



Race Track Industry Program

TUESDAY, DECEMBER 6, 2005

WHAT'S COOKING?

Sponsors:

Panel Session: Delaware North Companies Gaming & Entertainment

Evening Reception: Scientific Games Racing

Speakers:

Bob Marshall, President; Wheeling Island Racetrack & Gaming Center

Thomas J. O'Connor, Principal; SOSH Architects

Steve Rittvo, President; The Innovation Group

MR. STEVE BARHAM: I'd like to introduce Steve Rittvo. He's the president of Innovation Group, who as most of you by now know has been our partner in this Symposium. They have helped and actually been responsible for getting the gaming content. So even Hurricane Katrina couldn't keep them from doing their job, and they did, I think, just a great job at that.

Steve says it's late in the day and no need for a long introduction.

MR. STEVE RITTVO: Not at all. Thanks, Steve. Thanks.

Again, I want to thank you all. We're real proud to be here being a partner with the University. This has been a unique experience for us and we really do like the format now of integrating gaming and racing together.

The session this afternoon is focusing on food and beverage and its relationship to racinos, and what we're really looking to convey today is sort of three different aspects of it.

I'm hoping to touch on sort of a demographic description of racino patrons and what their food and beverage attributes are; we've got Tom, Tom O'Connor from SOSH; Tom really is the — oh, the heart of SOSH. I want to say this is a fascinating thing for me also coming up here. We've worked with Tom for a number of years on a variety of different projects, and the truth is I've just learned a whole bunch of different things about him.

You know, truly I'd always thought of you as a — I'm not allowed to say it? I always thought of him as a good casino person. I've now found out that he's been doing a

fair amount of international work, that he's worked with Disney and the ESPN Zone from a design perspective, and that really he's a good Catholic Notre Dame boy, which is just something that I think is just great.

Bob Marshall is somebody that I almost feel has been part of our family. We found out this afternoon that you knew and worked with my partner 15 years ago, 18 years ago when you guys started.

Bob is the president and general manager of Wheeling Island, the largest revenue-producing element of Delaware North's gaming and entertainment operation. Bob does have 15 years of experience in the hospitality industry, and really started — I guess your first activities were really coming out of culinary school in Atlantic City and starting as an intern in the Adam's Mark Hotel working your way into the gaming industry from the Sands, moving into work at Wyndham doing facility and food and beverage, and then really transferring over to Delaware North, or segueing into Delaware North and the National Parks Activities Group. So again, a very broad range of experience.

Again, what I was hoping to do was to touch somewhat on the demographics of food and beverage as it relates to casino patrons, let Tom talk about some of the design elements, and Bob really talking about operational aspects of food and beverage in racinos and really how that becomes part of a package that is what you offer to your patrons.

The information that I was going to start with is based upon a national survey that our company, The Innovation Group and Russell did in conjunction with Yesawich, Pepperdine and Brown.

About 13 months ago we did a 2,500-person sample of gaming patrons across the United States. The sample was large enough to allow us to parse or segment the data to be able to look at different gaming segments. We have the ability to slice data in geographic level, we have the ability to slice data for regular casinos, for racinos, for tribal gaming.

And what I tried to do in this presentation was extract information on the food and beverage attributes and characteristics of what racino patrons were and try to give you some sort of sense of how that compared to regular gaming patrons, sort of what the differences are, maybe give you a little bit of thought as to why we think the differences exist, and then also talk about maybe what some of the regional differences are for racino patrons from a food and beverage perspective.

This is sort of an overview. We have the ability to drill down into some specifics. If somebody really has a specific question we might be able to parse the data for you offline and come up with some stuff.

But first thing we wanted to really get an appreciation of was, what was the significance to food and beverage patrons of food and beverage at the racino

operation? And again, looking nationwide what we found is the average amount spent by a racino patron on food and beverage right now is \$48 per person.

When we look at that, and that really quite honestly is food and beverage and entertainment combined, I mean, it's sort of the non-gaming piece. When we look at that compared to average gaming revenues we can see that it represents a fairly significant component of their expenditure of their budgets.

Again, not like the Las Vegas element where right now 50 percent of the expenditures are going for non-gaming attributes, but it is an element of revenue that is very significant for you folks and something that should be kept in mind, that it's no longer the \$6.99 throw-away buffet.

When we look at racino patrons compared to gamers in general, those people that go to casinos, I want to say probably it gets skewed because of destination-based casinos; we're seeing that racing patrons spend a little bit less on food and beverage, \$48 compared to \$56.

And again, what we really do see is it's the more local nature of the market that causes this sort of disparity and a somewhat lower level of spending. These are people that probably are coming to you 12 to 14 times a year on average, and it's a little bit less of a holiday, it's a little bit more of a general night of entertainment but not necessarily that special event.

In looking at it there is a fairly interesting dichotomization; 47 percent of the people actually spend more than \$30, and again, given the local nature of this, 21 percent really don't spend anything. They come in, they game and they don't participate in any of your food and beverages unless you're giving them a comp drink.

One of the questions we asked in the survey were really, what were the top five cuisines? What were people looking for when they were going to a racino? Again, the results to us were fairly interesting.

These were not necessarily out-of-the-box choices. They were very conventional, they were very representative of middle America to a very large degree. First choice was Italian, second choice was Chinese, third choice was Mexican, fourth choice was American, fifth choice was Japanese; and I've got to be honest with you, once we got below one, two and three there was — one, two and three were very highly concentrated. Four and five were not outrageously concentrated. The spread really changed regionally.

Italian nationwide was chosen as the first choice cuisine by 47 percent of the people, and it's nearly one in two people really wanted some sort of Italian mix in the food and beverage, in the racinos. Twenty percent chose Chinese; so again, really I'm going to say the more we probed this it was really an Asian cuisine as opposed to specifically Chinese. It was really a PanAsian, but that's a different piece than Japanese.

Interesting thing for us, and again, something that we've seen differentiating racino patrons from casino patrons, is that there was very little interest in non-traditional ethnic cuisines.

What do I mean by that? Very few people were looking for French, very few people were looking for anything that really pushed the envelope beyond that. Esoterica did not cut it for racino people.

Again, these are folks that are coming often, they are looking for their sort of — I don't want to say meat and potatoes, but pasta and meatballs, just very simple types of activities.

Quality was important to them. Again, we saw regional differences. And we think those regional differences relate to ambient demographics. We think those regional differences relate to — I'm going to say family roots, where people are coming from.

Italian was definitively the most preferred cuisine by males, and it was the most preferred cuisine on the East Coast. Again, 47 percent of the people nationwide had Italian as their first choice. Sixty-five percent in the East Coast were desirous of Italian food.

Chinese — I haven't figured this one out yet — was most popular in the south. Again, it probably is not a tremendous tradition of Italian activity, but 65 percent of the folk in the south, their first choice was Chinese.

Mexican was most popular in the mountain and the western regions. Again, in almost all of these I will define these, with the exception of Chinese, as probably close to the mother cuisine.

And so in the mountain regions with the high Latino populations it's something that's very popular and it's something that people have come to expect as a very basic good quality cuisine.

Pacific Coast to Midwest really had the national averages. And the one piece that we really did pick up was the higher the income we were serving, the higher the income group we were serving the greater the demand was or the greater the acceptance for, I want to say those sort of esoteric or different ethnic cuisines.

Obviously the more affluent people are the more they're willing to experiment, the more they're exposed to different things, and we saw rises in Indian, we saw rises in Japanese, we saw rises in French.

We ran the same thing with beverages. And again, what we really looked at was, what were people looking for from a beverage perspective, both from what they wanted to order in restaurants and what they wanted to get as comped activities.

Again, I'm not going to tell you that these were tremendously surprising, but some of the splits, as we pick them up, as we look at sub-markets to me was beer was the number one choice, followed by wine, rum, vodka and tequila.

The rum did surprise me, but again, in talking to folks that are in the liquor industry rum is now the new white liquor that is on the rise. It has a little bit more flavor than vodka and tequila, is really outreaching with the younger clientele.

Twenty-one percent of the people had beer as their first choice, 15 percent preferred wine. Again, in this instance we found very little difference from the racino patron to the casino patron, except that we will tell you that the casino patron's first choice of beer was a little — I'm sorry — the racino patron — first choice of beer was a somewhat more step-down than the casino patron.

High choices were Rolling Rock, Bud, Miller; and the casino area was definitely much more Heineken, Michelob and that type of beverage. So we do see a little bit again of the day-to-day living versus the sort of event-type activity. Again, nothing that would surprise you, but we found almost a linear relationship between wine preferences related to income. Almost that same sort of line.

So again, the higher clientele, the higher income clientele you're serving the more there's going to be preference for wine. Wine was much more preferred than beer in the mountain region, which again I think given the demographic of that region made sense to us.

The one that we had a hard time grasping was in the Pacific region wine was basically back at the national average. We thought that was wine-growing country, people would have better exposure to it. Turns out that I guess beer tends to go better with Mexican food. Again, nothing surprising, but the dichotomization was pretty interesting.

Beer was preferred by men 33 percent, wine is preferred by women 25 percent. We think, again, as you pay attention to your market and it changes over the course of the day, as you have more women at slot operations mid-day, the ability to have more wine available or more consciously having wine available is something that we think will serve you well.

One of the things we did was we looked at what were the 10 most important attributes or discriminants in how people chose where they were going to gamble? As my partner presented this morning, in the top five they were really comprised of friendliness of staff, satisfaction and safety and different variations.

Food and beverage, though, was a very significant discriminant as well, and there were definitely — you know, two of them were absolutely in the top 10. The two most important restaurant attributes and deemed important by 54 percent of the gamers in the first place and 46 percent of patrons in the second place for racino patrons were having moderately priced restaurants and having a high quality buffet.

Again, understanding that this market, the racino patron is a middle America, for the most part, market, they're looking for basically very good value for what they're doing. And again, because they're coming to you 12 to 14 times a year, they're really looking to be able to have quality and value for what they're doing and that moderately priced restaurant, as opposed to that fancy white table cloth in the vast number of instances, is what is important for them. And actually having a very good quality buffet.

As we went down the list we actually tested about 30 different attributes for a casino; in the bottom 10 were the other two food and beverage, and that was a one-of-a-kind specialty restaurant and a name-brand restaurant. They were not significant to the racino person per se.

As we got into the casino market, and as we got into the casino market where there was more competition, that started to become a more significant differentiator. We actually sliced data in competitive markets and now we're in a place where everybody has a very good buffet, or everybody has that basic moderately priced restaurant, then a discriminator becomes the specialty restaurant with the name brand.

But for most racino operations they are by themselves, they are in areas that are sort of, if not monopolistic, not highly competitive, and folks are looking for that meat-and-potato basic piece before they're looking for something fancy.

We also checked and tested for what people's desired promotions were. If they were going to get some sort of promotion from the gaming operation, what were they looking for?

And again, 51 percent of the folks, slightly more than half, said that they would return to an additional gambling experience, an additional gaming experience on-site for a special food and beverage offer, whether that was a free buffet, whether it was a very strong discount on something or two for one; a food and beverage offer was a very strong promotional element to have them repeat coming.

And again, I think that's something that's good for you because it's one that you can control costs on. The repeat element matched, ranked number five out of all the different promotional elements that we dealt with. And I think what was really important is that it was only slightly less important than cash back.

Bob, that was something you and I were talking about, you may want to touch on. It was something that amazed me that it was that close; that people would rather have a free meal than getting cash back in their pocket for what they left.

You know, I think the experience may even be stronger in something that Bob has spoken about or will speak about.

The last thing I guess that we touched on was we don't necessarily consider smoking bans or food and beverage a total issue, but it does impact the restaurants and the bars. And we did ask a very specific question on what would happen if smoking were banned in the facility that you were participating in, you were utilizing to game in?

And what we found was something that probably is very indicative of, I want to say society in America. Forty percent of the folk said they would come more often; if smoking were not available they would be coming to the casino more because they were just less inhibited by it.

However, more than half said they would visit less often; and of greater significance of that is one-third said they wouldn't visit at all, in the sense of: That means you're going to lose them totally. That's not, not coming 12 times a year instead of 14 times a year, they're talking about really not coming and finding another alternative. If there's not another alternative open to them then they'd reduce; but if there is competitive gaming with smoking available, you will have a very significant impact on your markets.

In mountain and Pacific we really saw — again, this is a major non-smoking region in the United States, we saw it having a much greater positive impact; in the other regions we had it having a much more great impact in reduction of patrons.

So again, as we implement this, if you folks have the ability to still retain smoking in a bar or in a smoking lounge, it's something that we would advocate to you to try to integrate within your food and beverage program, to be able to offer something for those patrons that really find that as a mandatory element.

Again, this is just sort of a slice of data that we were able to put out in relation to this specific piece.

When this is over we'd be happy to answer any specific questions that we can on specific findings or trends that we're seeing as we're doing this. But I think if there was anything I wanted to convey to you guys in summary from a racino perspective is food and beverage is a significant part of your revenue, is a significant generator of attractiveness of your facility.

People have expectations on it, but really, because the racino market tends to be somewhat a lower market than the casino market in general, the important thing is to not overdesign, the important thing is to not overbuild, the important thing is to really give value and quality for the money and meet your patrons' expectations.

Thank you.

Tom, you want to go? Tom's up.

MR. THOMAS J. O'CONNOR: Good afternoon everybody. As a member, as a partner of SOSH Architects I'd like to thank you for letting us be here today. We're

enjoying being part of this panel. You're going to see the less serious side of a presentation. If I can get it to work.

(A tape was played)

Sorry about that. We wanted to talk for a couple minutes about racinos. What are they? We think of racinos as kind of a hybrid in the industry. They aren't a racetrack but they are; they aren't a casino but they are; they're what we call a marriage of convenience or a shotgun marriage. Each of them has brought something to the table.

In the case of racinos, what they bring to the table are legislative areas of the country that a casino otherwise would not have possibly been able to access. And for the racetracks, the casinos offer an increase in purses and in the financial picture of their industry.

So there's something that each of them gets by the relationship. Would they rather be together or not together? That's a good question. But they are, and it's important to understand how different the places really are.

This is the nature of a racetrack. It's primarily an outdoor setting, it's a visual event, it's an event that's based on time. Whereas when you get to a typical destination casino, they really are more about a place that they are creating, an internal kind of captured fortress. And whether they range from Las Vegas to Atlantic City to the Mohegan Sun, they're very much different from where racetracks came from.

And now you have these hybrid racinos, this one is Woodbine in Canada, this one is Harrah's that's under construction in Philadelphia. They really are hybrid spaces that are bringing two different groups of people together that may or may not ever cross paths.

I think you've heard in some presentations earlier today that some of these people will not cross over at all. In the case of racetrack crowds, they will tend by and large for live racing, to be family-oriented. When you get into Simulcasting you're going to have a more male population, whereas when you get to slots it's primarily a female population.

And I'm not going to get into the exact demographics, but these are generalizations that we've been observing over the past four or five racinos that we've been involved with.

And again, the other important factor with racinos is, where are the racinos? Are they in somewhat of a very localized location? Are they in areas like Harrah's in Philadelphia, that's kind of — it's a mix between drawing a locals market but also drawing more of a regional market with Harrah's marketing capabilities.

The whole activity of a racetrack is something that is time-driven, it's visual, and then there are gaps of time between these timed races. Whereas in a casino it's part of a continuous activity. And it's basically an activity where people can take longer breaks in time between the constant activity of gaming.

This all ties into your food and beverage solution. In the case of a racetrack, and to a large extent your racing population of your racino, fast food is very important. It's important to access the food quickly, it's important that the food be portable, that you can bring it back out because you need to watch the race.

It's very much driven by visually doing something else while you're eating. You will also find in racinos kind of like an extract from a racetrack itself. Sports bars tend to be popular, and as opposed to a nightclub that you would see in a casino. It's a very different demographic that you need to be aware of.

The clubhouse is probably the most upscale level that a racino will get into for its patrons. And again, it needs to be flexible, it needs to be a daytime space as well as a nighttime space.

When you move over into casinos, they try to offer a variety of food venues. They want to have you coming back and feel like throughout the day you've had different experiences from casual food to maybe a more elaborate food court, to their definite destination upscale dining location. Very much on the casino side of the portrait, not on the racetrack side of the portrait.

What we are finding work well in racinos are brands that are both local and national. First of all, Starbucks, everybody feels, "I kind of know what it is, I can kind of get in and get out. It might seem a little pricey if I go for the upscale coffee, but there's a food product that's known, I can grab it quickly."

What some racinos in more urban locations are doing is they're taking their clubhouse, this is what we're working on for Harrah's in Chester outside of Philadelphia, and they're draping off portions of the clubhouse at night to kind of create a second ambiance for what appears to be a high-end restaurant that will get shared by both the casino and the racetrack patrons. But again, it's portable, it can be brought back to a clubhouse very easily.

In terms of extra activities and amenities that you might see at a racino, you might see a rodeo, you might see a family show or circus. And as you start crossing over into the casinos, their shows tend to be more specifically structured, whether it's a circus or it's a high-end showroom or even large-scale musical acts.

Again, you're looking at two different groups of people, two different groups of people that want two different things out of a property. This is something that's much more on the casino side and not on the racino side, is the whole popularity of health centers and spas.

And I guess if we've learned something from the work that we've done over the past three or four years it's that basically the food and beverage do not drive the revenue of these properties, it's really the patrons and knowing who those patrons are that drive the money in the property. They are the ones that really need to be catered; to be understood and to be catered to to have a successful repeat experience at the property.

Understanding the demographics. I think you probably heard that several times throughout today. The demographics can mean anything from uncomfortable with a plate of spaghetti and meatballs versus in a more upscale crowd, I want a Panini sandwich.

Well, you can really turn off your crowd if you present the wrong thing to the wrong group of people. I might be more comfortable with a beef and beer than I might be with a more upscale meal. Corn dog might be just the thing that works on live racing day, whereas a more elaborate sitdown Italian meal might work better for the casino crowd.

Basically in the end what we're learning is there is a definite diversity; it's not mutually exclusive, it's something that needs to be studied whether the location is local or more regional, and to be able to respond to that. Your research is very important. It's important for the success of the property.

And with that I will give the podium over to Bob Marshall, who will give you a more serious view on what you've been looking at.

Thank you.

MR. BOB MARSHALL: I'm going to talk to you a little bit about Wheeling Island. Over the last 10 years we've migrated from a greyhound track to a full-fledged racino, and in '03 we finalized our expansion. So we went from us, being a track setting, to more like this, to this, and then this is the final product is here.

So we today are now a 2,400-machine slot machine casino, with four food venues on the casino side and four bars, lounges, and then we still offer the same menu as we did on the track side, we just reduced the amount of the offerings.

On the track side, it's a greyhound track, and we have about 20 cards per week; and we race 52 weeks a year, six days a week. We offer live, OTB, and we do export our signal as well.

On the racing side we offer the traditional food venues, from concession to a Terrace Club, we have a bar and lounge up on the third floor, and we do a significant amount of banquet and buffet work on the track side as well still.

Talk a little bit about each one. In the concession stands, we have two now, where at one point we had five. In the concessions we're heavy obviously on draft beer, non-alcoholic beverages. Obviously it's a very casual clientele, average check here

runs a little over three bucks. Revenues here are still pretty stable, about a half a million a year. Again, the concession revenue has decreased over the years. And a lot of that's transferred over to the casino side and the food and beverage outlets there.

Our concessions are really on our first and second floor of the track, and then up on the third floor is our Terrace Club where we have almost 400 seats. It's tiered seating. Average check there is about \$13.50. We run a high food cost here; it's a high value, if you will, for our patrons.

We used to run a buffet up in the Terrace Club. We shifted to an a la carte menu and a virtual buffet, and we've now introduced some specials on Friday and Saturday evenings. As you can see there, they're very, very popular. At this point we're actually sold out in advance, 400 seats, on a Friday and Saturday. So for us it's great.

The lounge and bar is up on the third floor as well, about 190 seats, full service bar, heavy regulars, and this overlooks the track. We do serve a complete menu here, and it all comes out of the Terrace kitchen.

Down on the lower floor, the first floor we have a Finish Line Bar, we get about 20, 25 seats, all local return customers. It's adjacent to a concession food service, and again, the clientele are mostly beer drinkers. I'm sure you're not surprised.

On the racino or casino side — and we do call it a casino side; technically we're not supposed to. But we have the traditional food outlets that you might see in a casino environment, from buffet to a food court, casual dining, fine dining, and banquets. And I'll talk a little bit about each one.

Buffets, it's a traditional buffet there. And in the earlier part of this year, '05, we went in and redid our buffet. It's a high volume, 7,000 to 8,000 covers a week. High value, and our average check runs about \$11.50.

This is a heavy, heavy marketing tool for our operation. We do about 10 and a half million this year, we'll finish at 244 seats, we're only open for lunch and dinner. We are experimenting with a breakfast on Saturday and Sunday mornings, it's going over moderately well. We've tried it out now for the last 45 days or so.

This is an interesting statistic. Fifty-one percent of our business here in the buffet is comp or discount. And I'll talk about that in other outlets as well.

But if you think about — all our players are rated players, and we put them into categories; diamond, platinum, gold, and then kind of, other. And on a monthly basis our active players, we send them out a mailer, if you will, with coupons to bring them into the property and we try to steer them into certain dates; and then we have other specials that we send them as well. And again, some of those coupons will be discounts, some will be actual comps.

And so 51 percent of the business in the buffet, so of that 10 and a half million is either comp or partially discounted. So as Steve was talking a little bit earlier, about midsummer we tried to generate some more business and we thought if we threw some cash, more cash, less food offers out to our customer base through our monthly mailers that we would attract more.

Well, we spent more cash, however we did not see any real pick-up in it. In fact, what our customers told us, "We would prefer you to send us food offers." So it was very interesting.

In the buffet when we redid it, we wanted to create a high perception or perception that it was just extremely fresh food. So we have three action stations, we have a soup and salad bar area, we have a pasta station, a carving station, and then an actual grill station.

This is a picture of it. Sorry it's so dark, it's not a good picture, but each canopy represents a food station. And then here's the one food station where they're grilling. And what they do is they grill right off the grill and put right into hotel pans where the folks can pull it right off the buffet.

But the perception is wonderful, and customers really, really enjoy it. There's a food court, and I want — the buffet, just let me bounce back for one second. It is located on the casino floor, so you do have to go across the floor to get to it.

And our food court is adjacent to the casino floor. You do not have to go across the floor to get to it. We have three outlets there; hamburger, hot dog, pizza place. We've concepted one of them as Hershey's Ice Cream. It's local for our market. It's been very good.

And we introduced a Cold Stone, so we can do the actual mixing of the ice cream. Very, very popular and it's been very successful for us. We did that over this last year. And then Starbuck's. We had a coffee shop or coffee kiosk. We've now switched it out to Starbuck's and that will open just before Christmas, later this month. So we're very excited about that. And we've gotten some great feedback from our customers already on Starbuck's.

Just to give you an idea of the food court, we only have 134 seats here, but it is quick serve food, average check a little over \$5.50, 46 percent comp and discount, and with your player's card — our players do earn points. Most of them do redeem for cash, 97 percent redeem for cash, because we do offer a cash back.

But there are some that redeem for food, food offers, and they can; and most of the food offers are redeemed here in the food court. So again, high volume, quick serve food. And this is a picture of the court, the food court itself. This came out a little dark, too. But it's just a fun, clean, friendly place and it serves us well.

The Pointe Steak House is our fine dining restaurant. This is 110-seat restaurant; it's got a private dining room off to the side. It's about 80 seats in the main room and about 20, 24 seats off to the side. Which works very, very well for us.

It's a high locals restaurant, we only do about 30 percent here in comp discount business, 70 percent is full retail business. High quality, high food service delivery. And we do about 500 covers a week. We do offer an Early Bird Special to try to attract folks in between four and five. We're full most nights.

And again, this has become a very, very popular local restaurant for the local community. Sits right off the casino floor and if and when we get table games it will be adjacent to where our table games will be situated.

And this is a picture of the room here, very, very well done. And in the back is an open kitchen, and it's just a really great room.

Breezeway Cafe kind of sits between our fine dining and our food court. It's our three-meal restaurant, open seven days a week. And it is open 7:00 until 1:00 a.m. So average check here is \$8.35, we do a little over \$2 million in annual revenue. We've got a little over 4,000 covers a week. Again, comp discount here is about 37 percent.

This is a picture of the Breezeway, the front of the Breezeway Cafe. This is the inside.

Our beverage department: On the casino floor we have four bars, if you will. Sorry, three, and one just off the casino floor. Castaway's is just off the casino floor. It's a holding point for our folks for both the Breezeway and the steakhouse. And it also serves as a service bar for both.

And then we have the Sand Bar on the casino floor. It has the video lottery bar tops and it's a full-service bar offering specials; and we do a fair amount of drink specials in all our bars from dollar Corona's to dollar margaritas, and it's very, very well received and our customers enjoy it. This is a picture of Castaway's Bar. Small, it's just got a couple tables and probably seats about 20, 24 people.

And then out on the floor we have Waves, and then down on our lower level on our gaming floor where we have about 500 machines we do have a full-service bar down there called Ivan's, and obviously both the bars have TVs.

And we'll just go back here. This is Waves on the floor. And this is fairly new, this is done, just finished in June '03 and reopened. And Ivan's has been down there for a while. This is in an area that used to be a concession stand. We switched it out and made it into a bar, and it's going okay for us.

We're going to introduce food into here, a little bit more food, quick serve food, and see how that does, see if that helps us out down there.

On the banquet side, we have three banquet rooms that kind of open up, very similar to this here. And then we have a 500-seat showroom, it's an all-purpose room, with a stage and lighting. And we do anything in there from themed events to fights.

We do six live fights a year. And it's been very, very successful for us. We do a fair amount of themed parties for our players. So throughout the course of a month when our players get mailers, we will do special events for our platinum customers or for our platinum and diamond customers or for a new acquisition party or for our gold customers. And sometimes the simpler the party the more well attended it is.

So our folks like food, so that's kind of what we're learning, and we're sometimes learning the hard way. They're not surf-and-turf-type folks. This summer we rented tents and put them up outside in our parking lot and had bands and food under them. And all they wanted were hot dogs and burgers and baked beans and listen to the country music. And again, they were very, very successful for us.

Sort of finish up with marketing. We talked a little bit about, most of our promotions are towards slots; we do towards our slot customer. We're heavily, heavily promoted towards them. Obviously, that's where our profits are.

We don't do enough towards our racing customer. Although our racing customer has the same benefits as the slot customer has with the player's card and cash back and points and being able to redeem for food and offers, our racing customers don't seem to really respond to those offers as much as the slot customer does.

Sometimes the racing customer could care less that we have a casino across the way. Obviously food promotions are very big, it's a big part of our business. It's almost across the property about 42, probably 44 percent cash comp discount in our food and beverage over all outlets.

Back to banquets for a minute. We do a little over a million dollars a year in cost for marketing banquets or for themed parties, and then we do about a half a million in retail or full retail in the banquet area.

We do a fair amount of cash offers each month. And then we do a fair amount of entertainment as well. We're really listening to our customers and we're going to try and move into more nightly entertainment and see how that works. But what we're understanding from our customer base is they want to see nightly entertainment, and some of the hokier stuff is better.

So like the Elvis impersonator is something they really want. So it's something we'll be moving into.

I think that's it.

MR. RITTVO: Thank you. I don't know if I'd find the Elvis impersonator's a regional piece in West Virginia, but it's popular. I guess we're open to questions. If there is anything I'd love to entertain them from the floor.

(Unidentified Voice asked a question)

MR. RITTVO: You know, the sample size, I would have to see what the breakdown is on the sample size. If the sample size is large enough to differentiate that. Because we had about, when we were finished, about 400 samples on racinos. So I should be able to give some sort of — pull the differentiation on hotel versus non-hotel activity.

The question I would just have is, I'm trying to think across the country how many of the racinos really do have hotels. The big ones absolutely do, the small ones I don't know. So I can pull that. We have not pulled it. I mean, this today was the first — what you're seeing is the first slice I did on anything that was different than just comparing gaming attributes of racino patron's to casino patron's.

MR. MARSHALL: From a gaming standpoint, we have 151 rooms in Wheeling, run an average of 98 percent occupancy. Our win per room is a little over \$300. We do know that their betting is about 30 percent higher if they do stay overnight. From a food and beverage standpoint we don't have any statistics on what they spend for staying overnight. We're not able to capture that.

MR. RITTVO: And as I say, your \$300 is high because our experience is average is about \$240.

MR. MARSHALL: And we know that if we do an expansion of the hotel, which we'd like to do, we know that that number will decrease. Because it's our better players that typically get in there. Again, because of the size of the property.

MR. RITTVO: I was going to say limited. But incremental gaming revenue or yield per hotel room right now we're looking at about \$240 nationwide.

Yes, sir?

(An unidentified person asked a question)

MR. RITTVO: We're seeing racino probably in the range of three and a half to four hours. It was a specific question we asked; and casino we're now seeing upwards of six and a half hours. It used to be lower on casino; and by the time, you know, three or four years ago, we were seeing four and a half, five.

And as we're seeing the amenity mix increase, and again, in the more destination casinos, people taking advantage of day spa, taking advantage of on-site shopping, we're seeing that stay become longer.

Actually, in the casinos we are beginning to see two-meal, relating it back to food and beverage.

A VOICE: I have a question for Bob. What is your policy on allowing your employees to use the facilities when they're not working, number one?

And number two; what facilities do you have for your employees to eat?

MR. MARSHALL: The first answer is we did let them use the facility to game and to eat. Our policy was always that if the facility was more than 60 percent full, one of our food outlets, that we would ask you not to. And very few times that we have to address an employee not to go in. We have a really good group of people. We still do the same thing on the food side.

But on the gaming side we have not allowed them to game in our facility. There's pros and cons to that. But the biggest con for us is if one of our employees hits something next to a player that hasn't won in a while, they all seem to think that we fixed it. And the cons are, you know, our employees do play a fair amount, and we do lose that revenue.

From an employee dining standpoint, we have a great program. We have an employee dining room, and roughly a meal costs about four bucks. We're not quite breaking even in our employee dining room. And to give you an example, one day a week we do a meal out of one of our restaurants, a signature item and for four bucks they can get that.

But for us it allows us to introduce the product that we're serving in the restaurants that our guests are getting to our employees, and at the same time it's an employee-love kind of thing too.

MR. RITTVO: That's a concept I like, and I'd really like to see transferred.

Yes, sir?

MR. JOHN WALZAK: You race a lot, Bob, at a greyhound track. Do you find that the live racing drives anything on the casino side?

MR. MARSHALL: I'm not really sure about that. We don't really see — I'm sorry, I can't really answer that question, because we don't see it. They're really different customers, and so I don't have any hard statistics to tell you that.

MR. RITTVO: Yes, sir?

(Questions were asked from the audience)

MR. MARSHALL: The surf and turf question is really more towards our themed events. And we've taken the approach to really give our customers what they want. We do serve a high quality meal in our Pointe or our steakhouse. And we do throw

a surf and turf offer in the Terrace Club, and we just did it to try to attract some folks in on Friday and Saturday nights. And it really has worked.

But the overall majority of our customers are — well, they're very price sensitive, and my comment was really more towards our themed events. They're not the sit-down, they're more of a buffet-type person, want to get in, get out, want to get back on the floor. And that's really talking to the masses. I hope I answered that question.

The second answer, the second question was 97 percent. Ninety-seven percent of our folks do redeem for cash, the large — we do have some redeem for food and the largest amount that redeem for food or the highest venue that's redeemed for food is the food court, that's kind of what I was trying to get out there. And the third one was —

A VOICE: Virtual buffet.

MR. MARSHALL: The virtual buffet is where you have, instead of having a buffet where the food sits out there and kind of doesn't look fresh and all that type of thing, and it's on our terrace side so our folks are there for several hours, the buffet is on a menu and they can order and just keep ordering as much as they want.

So they can get a burger, they can get fries, they can get hot dogs, they can get pizza, chips, nachos; and it all comes out the kitchen and it's served a la carte. And it would just be like — it's a la carte but it is a buffet; so they don't have to run up and get it, the server brings it to them.

MR. RITTVO: If I could comment possibly on that 97 percent cash reduction versus food, I think what you find is the more transient player doesn't know that he's coming back that often does a quick cash in and out on your food court.

The sort of rated player that knows that he's coming accumulates his dollars, accumulates his points and cashes them out.

The other difference is what you really touched on, the folks that get the free meal sort of enter that into their thought process in making an event of it. They don't have to wait to redeem the points and get the cash-back-type of thing.

But there really is a dichotomization, I think, or split in the types of people that are doing it. But it's that sort of very incidental player. Because, "Gee, I don't know if I'm going to be back here. I'm just going to grab a quick hamburger for three bucks," take the points off his card, versus the guy who's coming that's accumulating for something, whether it's cash or a weekend or something like that, coming into it.

Any others back there? I'm sorry, the light's in my face.

(A question was asked)

MR. MARSHALL: Yes, we are profitable. So it is a profitable business for us, to answer your question.

MR. RITTVO: But your margins are thin.

MR. MARSHALL: Oh, they're very thin.

MR. RITTVO: Again, I think industry norms are, in most places we've seen it turn a corner where we're starting to see some profitability in the entire food and beverage department. You know, again, depending on how it ties into marketing, how you allocate the marketing reimbursement may determine what your real profit is versus your cash profit.

But we are seeing — we have seen it really in the last three years or so turn the corner where the food and beverage grouping is becoming a small profit generator. Almost no matter what mechanism you use to determine it.

MR. O'CONNOR: If I could just add a thought on that. What we've seen is if the market that you're in is more than just a locals market and it is pulling in a little bit more of a regional group you'll see a higher profit. A profit on that type of food and beverage operation.

MR. RITTVO: I think that's a really fair finding. We've got about two more minutes if anybody else — if not, thank you, this was a good session.

(Applause)

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