CGCC Case Demo for Beginners

Tuesday, Feb 25th, 2014
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Case: Slot City, Case 4, Michigan Ross 2008
(from CGCC Case Archive)
- Game Co.
- Owns 4 casinos in SC
- Comp' opening casino in LV
- No casinos in LV currently
- SC = mature market (not relevant)

Revenue:
- $
- Food/drink
- Hotel
- Amenities

Customer profile:
- geo
- loyalty

Company capabilities:
- Options for expansion

Comparison to comp': # of casinos / e

Goals: Max R/It
Estimate \# of casino visits each year in US

\[
\text{total casino visits} = \text{\# visitors} \times \frac{\text{visits/yr}}{\text{person}}
\]

Divide acc. to age group (A6)

US pop. \approx 320 \times 10^6 \quad \text{life exp. \approx 80 yr} \quad \Rightarrow 4 \times 10^6 A6

visiting age groups: 20-70

visits per age group (\text{days/yr}): 20-30 - 3 \text{ days/yr}
30-60 - 5 \text{ days/yr}
60-70 - 7 \text{ days/yr}

\Rightarrow \text{total visits} = \#_{20-30} \times V_{20-30} + \#_{30-60} \times V_{30-60} + \#_{60-70} \times V_{60-70}

= 4 \times 10^6 \left( 10 \cdot \frac{3 \text{d}}{\text{yr}} + 30 \cdot \frac{5 \text{d}}{\text{yr}} + 60 \cdot \frac{7 \text{d}}{\text{yr}} \right) = \boxed{ \frac{10 \text{ m d}}{\text{yr}} }
## Customer segmentation

<table>
<thead>
<tr>
<th></th>
<th>% of Revenue</th>
<th>Revenue $MM</th>
<th>Customers (000s)</th>
<th>Revenue / Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plug &amp; Chug</td>
<td>40%</td>
<td>480</td>
<td>1000</td>
<td>480</td>
</tr>
<tr>
<td>Vacationers</td>
<td>50%</td>
<td>600</td>
<td>600</td>
<td>1000</td>
</tr>
<tr>
<td>Experiencers</td>
<td>10%</td>
<td>120</td>
<td>200</td>
<td>600</td>
</tr>
</tbody>
</table>

Psychographic segmentation of Game Co. customers
Customers

\[ P \cap C = \text{Gambling} \]

Vac - "get away" (how far?)

Exp - others etc.

How much \[ R \text{ from LV} \] will we lose if no casino opens?

Customer loss (in LV):

\[ P \cap C = 100\% \]

Vac = 0%

Exp = 50%

\[ R \text{ lost} = P \cdot P_{\text{w}} \cdot 100\% + \text{Vac} \cdot 0\% + \text{Exp} \cdot 50\% \]

\[ = \left( \frac{98\%}{20} \cdot \frac{25\%}{50\%} \cdot 100\% + 0 + \frac{26\%}{25\%} \cdot 50\% \right) \cdot 10\% = 135.40 \]
Option: Open casino in LV before conj

- Assume getting all R → taxes!

\[ \text{tax} = 50\% - 25\% = 25\% \]

\[ \Rightarrow R_{\text{lost}} = \frac{435 \cdot 10^6 \cdot 25\%}{67.5} = \frac{33.75 \cdot 10^5}{33.75} \]

How to make up lost R?

- Loyalty programs
  - Attract P\% promotions
  - Attract V\% a\%ide
- New amenities (spa...)
- New R sources
- Hotels
- Charge entrance fee
Recommendation

Cane Co. should open a casino in LV

1. If comp opens - R loss = 135.10^6 $
2. If we open first, loss = 53.75.10^6 $
3. First to market - strategic position

Risks

1. Lack of capital
2. Loss of R from other cities?
3. Estimates for capture are wrong

Next steps:

1. Figure out available $'
2. Market research on customer base
3. Implement R1 before investing