

Mining for gold in Macau's slot market



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Compared to last year, G2E Asia 2008 was singularly impressive, with more than 175 exhibitors displaying their wares at the brand new Cotai Strip Convention & Exhibition Center in The Venetian Macao Resort and Hotel. What particularly struck me was the presence of more than 40 slot machine vendors. About one out of every four exhibitors at the show was peddling slot machines. This high representation, to me, seemed quite bizarre given that Macau probably has the lowest slots-to-tables ratio of any gaming jurisdiction in the world (around 2.5:1), and slots represent just about 3.5 percent of gross gaming revenues. Are slot manufacturers and distributors descending on Macau in droves because they see a huge imminent future for slots in this new gambling mecca? Do they expect Macau to follow the lead of Las Vegas, where two-thirds of gaming revenues are derived from slots? Or are they be-devilled by wishful thinking?

To shed light on these questions, I decided to conduct my own impromptu research. While sipping a beer (or two) at the Bellini Bar, I observed the slot banks at The Venetian over several hours all through the week of the show. Not once did I see occupancy even remotely approaching 10 percent. While The Venetian has the most modern and visually stimulating slot machines in the world, I saw no evidence of large-scale customer acceptance. Table games occupancy, on the other hand, approached capacity, particularly during night time.

I then decided to talk to some of the slot machine exhibitors. They all seemed extremely optimistic about their prospects, not just in Macau but throughout Asia. One exhibitor even pointed out that with just under 14,000 slots and around 4,300 tables in Macau, the region is already doing more money than Nevada. Imagine what would happen when the number of slot machines increases to 200,000!

Did this individual actually visualize slot numbers approaching 200,000 in Macau? Surely there is no way for seasoned executives at companies such as WMS, IGT, Aristocrat, Atronic and Bally to overestimate the market! Or is there some other phenomenon to explain the exuberance?

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Will Macau, over time, follow in Nevada's footsteps? Well, no one can say for sure, but if the slots-to-tables ratio in Genting has not emulated casinos in Nevada after 40 years of operation, it is hard to imagine that the trend will be different in Macau. Table games will continue to overwhelmingly dominate the casino scene in Macau, at least for the foreseeable future.

While the market potential for slots in Macau may be nowhere as rosy as Nevada, the right adaptations to the product will, nonetheless, smooth market entry. Quite a few manufacturers that I talked to discussed the need for modifying their products to suit Asian tastes. In the early years, you may recall, a lot of manufacturers thought the same products that were working in the United States or Australia could simply be plugged into Macau. Very few manufacturers of slot machines think that way today.

I talked with Kurt Quartier, vice president of international sales at IGT. Kurt talked about some very basic adaptations, such as arranging the button panels. "If you don't know which buttons to push, it becomes very hard to play the game," he declares.

As for game translations, which IGT also does a lot of, Kurt is not sure as to how needed they are. Sebastian Salat, president of WMS International, believes that success in Asia requires products that suits players' needs not only in terms of translation but also in the underlying math models for the machines. Asian players, according to Salat, prefer machines that exhibit greater volatility compared with players in the U.S. and Australia.

Almost every slot exhibitor at G2E Asia had a "community" gaming machine on display. Such machines apparently appeal to the collective nature of Chinese society. The Atronic Group seems to have had early success with its new product, Dragonboat. Players and operators welcome this adaptation of the Tournamania platform to suit Chinese culture.

IGT, likewise, has developed special products with themes that Chinese customers can relate to (such as the highly touted Three Kingdom Wars).

While some slot products are designed especially for the Asian markets, others travel quite well across cultures. IGT sees little difficulty in launching products in Asia with universally popular themes such as Indiana Jones and Star Wars.

While translation, theme alteration and math model changes will make slot machines more responsive to the culture and preferences of the Asian customer, it would be a mistake to assume that slot revenues will exceed table games revenues any time soon, either in Macau or in the neighboring regions. Yes, the market for slots will grow, but that's because of the low base figure for slot machines in Macau.

As more and more vendors vie for the relatively humble slots pie in Macau, cultural adaptation based on empirical research may spell the difference between success and failure in this nascent market. Such research should involve multiple approaches such as focus groups with potential players, in-depth interviews with slot directors and marketing directors at the various casinos, and calling on cross-cultural experts for guidance. When it comes to slot machines, the edict "Build it and it will pay" will definitely not work in Macau. ■■■