



the **G2E ASIA**
future watch series
an insider look at new trends in gaming
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Executive Summary

For the past decade, Global Gaming Expo (G2E) has been the preeminent annual event showcasing the best and the brightest the gaming industry has to offer. But G2E is about more than the here and now; it's also about the cutting-edge nature of our business. The G2E Future Watch Series is an original research series released in conjunction with G2E in Las Vegas each year and is a valuable tool for highlighting and examining some of the most significant industry trends. The decision to bring the Future Watch Series to G2E Asia two years ago was an easy one, as no other gaming market in the world is experiencing such astounding change and growth.

This year's Future Watch Series looks at recent developments in the Asian casino market and what shape this market might take in the near future. The research focuses not only on the gaming side of the business but looks at non-gaming amenities, how Asia's growth will impact other markets, and what challenges, if any, might be on the horizon.

To inform our research, we surveyed leading casino industry executives, analysts and academics whose backgrounds and understanding of the Asian casino markets make them uniquely qualified to comment on existing market conditions and trends. These respondents are truly experts in the field. More than 70 percent of them have been working in the industry for a decade or more, and about one-quarter are CEOs or presidents of their respective companies. We hope our findings, detailed on the following pages, provide some truly unique insights into where Asian gaming is headed in the years to come.

The AGA and Reed Exhibitions, organizers of the Global Gaming Expo family of events, would like to thank all the industry experts for taking the time to help us complete this Future Watch Survey.

Asia and Casino Gaming

- **Asia Soon to Surpass U.S. in Casino Gaming Revenue** Just as Macau has overtaken Las Vegas as the largest casino market in the world as measured by gross gaming revenue, our experts anticipate it will not be long before Asia overtakes the U.S. in market size. In fact, more than two-thirds of respondents (67 percent) think that, within the next three to five years, Asian casinos will generate more gaming revenue than U.S. commercial and Native American casinos combined. Significantly, not a single survey taker expressed any doubt about this taking place at some point in the future.
- **A Market Still Under-Supplied?** Perhaps our experts are so sanguine regarding the future size of the Asian market because they still see a healthy amount of unmet consumer demand for casino entertainment in the region. Despite the fact that there are a number of major casino resort developments underway, the vast majority of our respondents think it is either "unlikely" (38 percent) or "very unlikely" (29 percent) that supply will exceed consumer demand in the region during the next five to 10 years.
- **Who Might Be Next to Introduce Diversified Casino Resorts?** While there is no hands-down consensus about what country will most likely be next to legalize casino resorts in Asia, Japan was chosen by a plurality (38 percent) of our experts as being the most likely to do so. Taiwan (33 percent) and Kazakhstan (14 percent) were the second and third most popular choices, respectively. Thailand was given no chance by any of our experts to be the next country to usher in diversified casino resorts.
- **The Second Largest Market in Asia in 10 Years** While the vast majority of our experts thinks the primacy of Macau as the largest casino market in Asia will go unchallenged, respondents did give their opinions about what would likely be the second largest market in the region a decade from now. Interestingly, even though it does not have casino resorts today, Japan (38 percent) was the most popular choice among our respondents, followed by Singapore (24 percent) and the Philippines (14 percent). No other countries garnered more than 5 percent of the total responses.
- **Restricted Access to Casinos May Inhibit Growth** In many Asian casino markets, adult citizens are restricted to varying degrees from entering casinos as freely as they might like, and our survey respondents think these restrictions might have negative consequences for market growth going forward. In fact, more than 70 percent of our experts think that restricted access either "very much" (33 percent) or "somewhat inhibits growth" (38 percent) in these burgeoning markets.

...But Restrictions May Be Relaxed in The Future For casino customers and operators more accustomed to free market environments, our experts' views on what the future holds with respect to restricted access may be good news. An overwhelming majority of 76 percent thinks that, during the next 10 to 20 years, casino markets in Asia are likely to either "very much relax" (24 percent) or "somewhat relax" (52 percent) restrictions over how and in what way gaming is conducted. Only a fraction (19 percent) foresees restrictions increasing during this time.

Primacy of Table Games Unchallenged, For Now Despite the increasingly sophisticated technology incorporated into gaming machines these days, the vast majority of our survey respondents thinks it will be a long time, if ever, before revenues from slot machines rivals table games in the Asia Pacific markets. Nearly half (47 percent) think it will be seven or more years before slots catch up to tables, and an additional 32 percent think this will never happen. A 21 percent minority thinks slot revenue might begin to approach table game revenue in about four to six years.

Macau

Macau's Hot Streak to Continue Even though Macau's annual gaming revenue nearly tripled between 2005 and 2009, a significant majority of our industry insiders thinks Macau's torrid growth is going to continue for some time. Not a single interviewee thinks Macau will be unable to keep up this kind of growth going forward, and only a fraction (15 percent) thinks it has only a year or two left generating these kinds of returns. On the other hand, three-quarters (75 percent) of our respondents say Macau has three to five (40 percent) or six to 10 (35 percent) more years ahead with gaming revenues growing at rates comparable to those in recent years.

No Consensus on Additional Travel Restrictions for Macau in 2010 As Macau continues to set records in terms of gaming revenue in the first few months of 2010, questions inevitably arise as to whether the market is growing too quickly in the minds of officials in mainland China. If the results from our survey are any indication, whether or not additional travel or visa restrictions will be implemented in 2010 is hard to predict. Exactly half of our experts think additional restrictions are either "very" (20 percent) or "somewhat likely" (30 percent), while the other half thinks they are unlikely. It looks like only time will tell.

Majority Thinks Wynn's Successful Lawsuit is Significant When Hong Kong's High Court ruled in favor of Wynn Resorts Macau in an effort to recoup U.S. \$6 million for an unpaid gambling debt earlier this year, some industry observers thought it might be a seminal event for operators who wished to issue credit directly to customers instead of letting junket operators dominate this market. Indeed, our survey findings seem to support this view, with 62 percent of our respondents saying the decision was either a "very significant" (10 percent) or "somewhat significant" (52 percent) ruling. On the other hand, one-third (33 percent) of our experts thinks the ruling is insignificant because it does not address operators' inability to collect on debts in mainland China.

A Less Important Role for Junket Operators While junket operators and their VIP customers clearly help generate a substantial portion of Macau's gaming revenue today, if our experts are correct in their outlook, junket operators will play a less important role in Macau in the future. In fact, 57 percent of our respondents think that, five years from now, junket operators and VIP customers will be either "somewhat less" (52 percent) or "much less" (5 percent) important to casino operations compared to today. Conversely, only 19 percent say junket operators will be either "much more" (5 percent) or "somewhat more" (14 percent) important than they are now.

Challenges to Macau's Prosperity When given a list of five potential threats to Macau's continued prosperity, our experts narrowly chose "government officials curtailing growth" (31 percent) as the most significant threat Macau faces. "Labor shortages" (27 percent) and "infrastructure being able to keep up with increased visitation" (23 percent) were the second- and third-most cited challenges among those offered. Rising prices and regional competition did not generate widespread concern among our respondents and were chosen by only a fraction (8 percent apiece) of them.

Singapore

Singapore: The Future of Gaming? The integrated resorts of Singapore are unique in Asia, if not the world, but whether there has been too much emphasis and expense put toward non-gaming amenities remains an open question. According to our interviewees, a healthy 71 percent thinks the resorts in Singapore will be either "very successful" (33 percent) or "somewhat successful" (38 percent) despite, or perhaps because of, their huge array of non-gaming amenities. When asked for their thoughts on Sheldon Adelson's assertion that, "This is the future of gaming," more than three-quarters (76 percent) said his assessment was an accurate one.

Most Think Singapore Will Grow vs. Cannibalize Macau Business If our survey results are any indication, casino operators in Macau should not worry about the increased regional competition from Singapore's integrated resorts. Not a single one of our experts thinks the Singapore resorts will significantly cut into Macau's business (43 percent thought it might do so, but only minimally). In fact, a majority (57 percent) thinks that Singapore's resorts will grow the broader Asian market.

Philippines

- **Outlook for Casino Development in the Philippines** While some observers have suggested the resort developments in Manila Bay, know as Entertainment City, might grow into being one of the largest markets in Asia within five to 10 years, our respondents are not as optimistic in that regard. In fact, fully 70 percent say they either “disagree” (50 percent) or “strongly disagree” (20 percent) with this sentiment.
- **Manila Bay Darkens Outlook for Existing Philippine Operators** While most of our experts do not envision Entertainment City challenging Macau’s dominance of the regional gaming market anytime soon, a sizeable majority thinks it is either “very likely” (38 percent) or “somewhat likely” (43 percent) that these newer resorts will cannibalize business from some of the smaller, less capital-intensive casinos in the Philippines, potentially impacting their viability.

Asia and Non-Gaming Amenities

- **Asian Resorts: Still Gambling-Centric?** Despite billions being invested in non-gaming amenities at resorts throughout Asia, the typical Asian customer is more focused on gambling than, for example, average visitors to Las Vegas. Even as resorts expand in Asia and casino patrons are given more choices in terms of destinations, a plurality (38 percent) of our experts still thinks the quality of the casino gaming experience will be the most important criterion upon which customers will base their decisions about where to visit. By contrast, 24 percent thinks non-gaming amenities will be the most important driver of customers’ decisions going forward. The proximity of the casino to where the customer lives (19 percent) and the quality of customer service provided (10 percent) were the third- and fourth-most important factors influencing customer decision-making, according to our respondents.
- **Opinions Mixed on Importance of Non-Gaming Amenities in Macau** Casino resorts in Macau continue to earn well more than 90 percent of their revenue from the casino floor, but our respondents are divided over how important it will be for these resorts to diversify their revenue streams as competition in the Asia Pacific region heats up. A slight majority (57 percent) thinks it is either “very important” (19 percent) or “somewhat important” (38 percent) for operators in Macau to generate more revenue from non-gaming operations, while the remaining 43 percent of our survey takers think Macau will likely be able to flourish going forward based on gaming alone.
- **Can the Singapore Model Be Replicated?** With Marina Bay Sands costing more than U.S. \$5 billion to develop, some industry observers wonder whether such high levels of capital investment, largely spent on non-gaming amenities, will be possible going forward. Our interviewees are almost evenly divided on this question, with 53 percent saying we will “absolutely” (10 percent) or “probably” (43 percent) see resorts like Marina Bay Sands in other countries in the future and 48 percent saying more resorts of this magnitude are unlikely.

Asia Expansion and Its Impact on Other Gaming Markets

- **Las Vegas: Helped by Asian Expansion?** While Las Vegas casino operators continue to struggle through the effects of the U.S. and worldwide recession, for some, the importance of their Asian customers is greater than ever. Interestingly, there is not much consensus among our respondents about whether an increased number of casino resorts in Asia will have a detrimental impact on Las Vegas. A full 38 percent of our experts think Las Vegas will be “somewhat helped” by increased casino development in Asia, while an equal percentage thinks the city will be “somewhat hurt” (19 percent) or “very much hurt” (19 percentage) by the increased competition from abroad.
- **Casino Expansion in Asia Will Not Impact All Existing Markets The Same Way** Our respondents envision Australia’s casino market being impacted much more negatively than Las Vegas by additional casino development throughout Asia (67 percent say it will be “somewhat” or “very much hurt”). Interestingly, there is no consensus on how Macau will be impacted by further casino development in other parts of Asia. A full 43 percent of our experts say it will be helped by increased development elsewhere, while 52 percent think it will be hurt by it.
- **Important for Some U.S. Casino Operators to Leverage Their Asian Presence** For the handful of U.S. casino companies who have a presence in the Asian casino market, a sizeable majority of our experts (72 percent) thinks it will be either “very important” (43 percent) or “somewhat important” (29 percent) to cross-market their U.S. properties to their customers in Asia.

