



## Hotels at Indian Casinos - 2019

by Matthew S. Robinson

As of December 31, 2018, there were 205 Indian casinos with hotel properties with a combined total of 51,864 rooms – an average of 253 rooms per casino with a hotel. As presented in Table 1, during 2018, an additional four Indian casinos added hotel properties, with several other Indian casinos also completing expansions resulting in a 2.8 percent increase in the number of hotel rooms and a 2 percent increase in the number of Indian casinos with hotels.

with hotels by size segment. It is important to note that these ranges are based on averages and do not take into consideration the characteristics unique to any specific competitive market or restrictions on the types and/or numbers of gaming devices determined by individual compacts. At the same time, the ranges do provide a reasonable “rule of thumb” for comparative purposes.

Of the 205 Indian casinos with hotels in operation by the

Table 1

### Annual Hotel Room Growth at Indian Casinos

(As of December 31, 2018)

Year Ending (12/31)	Forecast 2021	Forecast 2020	Estimate 2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Indian Casino Hotel Rooms</b>	<b>59,744</b>	<b>57,223</b>	<b>55,372</b>	<b>51,864</b>	<b>50,468</b>	<b>49,074</b>	<b>47,326</b>	<b>45,861</b>	<b>44,497</b>	<b>41,736</b>	<b>39,275</b>	<b>38,554</b>	<b>36,849</b>
Percent Change	4.4%	3.3%	6.8%	2.8%	2.8%	3.7%	3.2%	3.1%	6.6%	6.3%	1.9%	4.6%	7.7%
<b>Indian Casinos w Hotels*</b>	<b>226</b>	<b>219</b>	<b>213</b>	<b>205</b>	<b>201</b>	<b>198</b>	<b>193</b>	<b>189</b>	<b>186</b>	<b>168</b>	<b>160</b>	<b>157</b>	<b>150</b>
Percent Change	3.2%	2.8%	3.9%	2.0%	1.5%	2.6%	2.1%	1.6%	10.7%	5.0%	1.9%	4.7%	5.6%
<b>Rooms/Indian Casino</b>	<b>264</b>	<b>261</b>	<b>260</b>	<b>253</b>	<b>251</b>	<b>248</b>	<b>245</b>	<b>243</b>	<b>239</b>	<b>248</b>	<b>245</b>	<b>246</b>	<b>246</b>
Percent Change	1.2%	0.5%	2.8%	0.8%	1.3%	1.1%	1.1%	1.4%	-3.7%	1.2%	0.0%	0.0%	1.9%

\* There are dozens of Indian casinos with more than one hotel/lodging property - Accordingly, the actual number of individual hotels is greater.

Source: KlasRobinson Q.E.D.

During 2019, another eight Indian casinos will open new hotels, with another ten expanding their existing properties, for a combined total of more than 3,500 additional rooms. During 2020, six new Indian casino hotels and another three hotel expansions at existing Indian casinos are anticipated to commence operations, adding over 1,500 rooms, combined. During 2021, another seven new Indian casino hotels and four other hotel expansions at existing Indian casinos are projected to commence operations, adding over 2,500 more hotel rooms. Over the next three years, an estimated \$7 billion will be invested in new and expanded casino hotel and related ancillary developments in Indian Country – with almost 7,900 additional hotel rooms coming online.

The number of Indian casinos with hotels varies significantly by number of rooms per property. Table 2 presents a summary of Indian casinos

end of 2018, the largest segment by size are those with less than 100 rooms (62 properties) and those with between 100 and less than 200 rooms (58 properties). With respect to the number of gaming positions per hotel room by size segment, the ratio

Table 2

### Indian Casinos with Hotels – Summary by Size\*\*

(As of December 31, 2018)

Range of Rooms	Casinos* with Hotels	Average No. Gaming Positions	Average No. Hotel Rooms	Positions Per Hotel Room
< 100 Rooms	62	519	59	8.7
100 < 200 Rooms	58	1,165	134	8.7
200 < 300 Rooms	30	1,850	233	7.9
300 < 400 Rooms	16	1,916	332	5.8
400 < 500 Rooms	13	2,185	433	5.0
500 < 1,000 Rooms	19	2,598	659	3.9
1,000 or more Rooms	7	5,508	1,423	3.9
Total/Average	205	1,474	253	5.8

\* There are dozens of Indian casinos with more than one hotel/lodging property - Accordingly, the actual number of individual hotels is greater.

Source: KlasRobinson Q.E.D.

ranges from 3.9 to 8.7, with the general pattern being smaller properties with higher ratios, and larger properties with smaller ratios – the average overall ratio of gaming positions per hotel room being 5.8 gaming positions per hotel room.

### Considering a Franchise for Your Casino Hotel

A hotel franchise can bring immediate name brand recognition, as well as a certain guarantee of quality. A hotel franchise may include a reservation system, sales and rewards programs and referrals from other properties under the same brand name. Successful hotel franchises at Indian casinos generally fall under two scenarios.

First, Indian casinos in remote, rural areas with a limited or non-existent hotel supply have benefited from franchises at their casino hotel properties – with the “brand” attracting overnight guests that likely wouldn’t be aware of the property otherwise. Such transient guests, once on site often will utilize the facilities of the property, which may include the gaming floor. While not necessarily a gaming customer, such overnight guests are a source of additional revenue, particularly during the slower periods of overnight demand.

Second, in established resort destinations where brand familiarity is the anticipated and expected “norm,” Indian casinos have used hotel franchises as a means to differentiate themselves from other casino hotels and non-casino hotels (for that matter). While still maintaining core local gaming business, such properties utilize the franchise brand as a means of attracting destination leisure demand to the resort property. Such guests are seeking out a certain caliber of resort property in a given locale, often site unseen. The franchise name itself provides, or at least implies, a level of quality, familiarity and comfort. In such a competitive market environment, the casino itself is considered the amenity that differentiates the property from other area properties.

Hotel franchises come at cost. Application fees can range from \$25,000 to \$100,000. Franchise and royalty fees start at 5 percent of gross room revenues with marketing fees ranging from 1 to 4 percent of gross room revenues. The length of contract can also vary significantly. Franchises often have strict design requirements with respect to rooms, décor and signage. Most hotel franchises offer some type of rewards program. There are also promotions and other marketing campaigns which may or may not be mandatory, depending on the brand.

It is also crucial that the brand profile and chain scale matches the customer that the casino hotel attracts or wishes to attract to the property. Some franchises are oriented toward business travelers, others target certain age segments. Chain scales can vary from value-conscious economy to upscale, even luxury full-service brands and any and everywhere in between. Brand familiarity and recognition is also important. How long has the brand been in business? How many properties/rooms does it represent? How many of the properties are franchised vs. corporately owned, etc.? Perhaps most important, does the franchise have experience working

with Indian tribes and/or casino affiliated hotel properties?

In certain circumstances, a franchise may make sense at a casino-affiliated hotel. However, a hotel franchise is not a substitute for competent casino hotel management. It is crucial to understand that there is a tremendous difference between a hotel manager and a casino hotel manager. While the profitability of the hotel is important, the potential incremental gaming revenue that can be generated by overnight hotel guests is even more so – often dwarfing the amount of revenue the nightly sale of a room can generate. Incremental gaming revenue at a casino hotel can range from \$150 to \$600 per occupied room per night.

Accordingly, professional hotel management is critical, with or without a franchise. However, it is equally critical for the hotel management and casino management to work together to maximize the performance of the complex as a whole, as well as ensure commensurate levels of service for such facilities. ♣

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