

## case study

# *Parking Fees and Revenue Management: A case study of Las Vegas Strip resorts*

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## Introduction

Las Vegas is in the state of Nevada. The closest metropolitan city is Los Angeles, which is 270 miles away. Las Vegas is 301 miles from Phoenix, 484 miles from Salt Lake City, and 607 miles from San Francisco. With the successful tourism slogan “What happens in Vegas, stays in Vegas,” it is not surprising that 42.1 million tourists visited Las Vegas in 2018 (LVCVA Research Center, 2019). Overall, Las Vegas is famous for reinventing itself over time, beating the downturn of the destination lifecycle (Butler, 1980) by being innovative, providing new products and always being ahead of the customer (Douglass & Raento, 2004).

The Strip, which is considered the center of Sin City, where most of the iconic hotels and casinos, restaurants, and entertainment shows are located, is listed as a top-rated attraction in Las Vegas (Luke, 2010; Villano, 2018). Geographically speaking, the Strip is a stretch of South Las Vegas Boulevard, approximately 4.2 miles in length (see Figure 1). Many of the largest resort properties in the world are located on the Strip including Flamingo, Tropicana, The LINQ, Planet Hollywood, Caesars Palace, Harrah's, Bally's, Best Western Plus Casino Royale, The Cromwell, The Mirage, Excalibur, Luxor, Treasure Island, MGM Grand, Park MGM, New York-New York, Bellagio, Mandalay Bay, Delano, The Venetian, Paris Las Vegas, Wynn, The Palazzo, Encore, Aria, Vdara, Waldorf Astoria, Cosmopolitan, SLS, Circus Circus, Four Seasons, and Stratosphere. Approximately 72% of the hotels and resorts belong to MGM Resorts International, Caesars Entertainment, and the Sands Corporation (see Table 1).

Transportation, part of the destination mix, plays a crucial role in attracting tourists and promoting tourism. Automobiles are considered the most efficient transportation mode to bring visitors (including locals) in and out of the Strip. All of the resorts on the Strip have parking garage buildings next to the main property, and prior to June 2016, parking fees were complimentary for all guests. Before this time, the resorts believed that by offering free parking, more gamblers would be willing to come without worrying about how long they had parked and how expensive this fee would be. Customers only paid when they use valet parking.

However, Las Vegas gaming revenue, which accounted for 59% of the total revenue in 1984 has dropped to 34% in 2018 (Schwartz, 2018). The decreasing gaming revenue is attributed to regulations,

the acceptance of gambling in the society, and economic recessions (Berkovits, 2005). In addition, visitors, especially the younger generation, are gambling less and spending less money on casino floors (Green, 2017). Even given the increasing number of first-time visitors who are younger on average, they are still more likely to take part in non-gambling activities, such as shows, bars, pool parties, and nightclubs. According to the LVCVA, approximately 48% of visitors' primary reason for visiting Las Vegas was vacation or pleasure, and only 5% of visitors' primary purpose was to gamble, compared with 12% of visitors in 2014 and 10% of visitors in 2015 (LVCVA Research Center, 2018).

In June 2016, MGM Resorts International was the first major casino company to initiate a parking fee. However, residents (with valid local driver's license) were exempt. When justifying the reasons for implementing these new parking fees, MGM Resorts International claimed parking fees could bring in millions of dollars of revenue annually and change the landscape of the tourism hotspot that is increasingly catering to visitors who come for other pricey attractions besides gambling. This is revenue that used to be easily offset by other costs (Ho, 2016). Charging parking fees is even more legitimate if 70% of MGM's revenue comes from outside the casino, including celebrity restaurants, high-end shops, shows and nightclubs (Ho, 2016). Interestingly, the official reason, according to the MGM Grand website, is to upgrade the garages to improve the parking experience.

Caesars Entertainment was the second to charge parking fees in December 2016, followed by the Cosmopolitan (May 2017) and Wynn Resorts (July 2017). Since then, paid parking has become the norm on the Strip, but it's not universal. This is in addition to the mandatory resort fees. Currently, Strip resorts that charge self-parking fees are Excalibur, Luxor, Mandalay Bay, MGM Grand, the Mirage, New York-New York, Park MGM, Aria, Bellagio, Bally's, the Cromwell, Flamingo, Harrah's, Paris Las Vegas, the LINQ, Caesars Palace, and the Cosmopolitan.

The structure of parking fees is based on the amount of the fee and the time (i.e., how many hours). The discussion below is based on self-parking since most of the parking spaces are for self-parking. There are two types of hourly structures: (1) 1 hour, 1-2 hours, 2-4 hours, and 4-24 hours; (2) 1 hour, 1-4 hours, and 4-24 hours. Regardless of the structure, parking is free for the first hour. Parking fees for the next 1-2 or 1-4 hours vary from \$6/hour (Excalibur and Luxor) to \$12/hour (Caesars Palace). The 2-24 or 4-24 hours parking fee ranges

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**Figure 1**

## Major Resorts on the Strip



from \$10/hour (Excalibur and Luxor) to \$18/hour (Aria, Bellagio, and Caesars Palace). In terms of the major resort company, Circus Circus is the only MGM property that offers complimentary parking, while parking at Aria and Bellagio are the more expensive (especially after two hours) among the MGM brands. Caesars Palace charges the most among all the Caesars brands, while Planet Hollywood offers complimentary parking. Two properties (the Venetian and the Palazzo) of Sands Corporations have never charged a parking fee, even after the wave of parking fee movement by other nearby resorts. Other properties offering complimentary parking are Wynn, Encore, Treasure Island, Tropicana, Best Western Plus Casino Royale, SLS, and the Stratosphere.

The parking fee rules are complicated and have certain exceptions, such as for residents, rewards card members, or hotel guests, who get free parking. All the resorts that charge parking fees offer complimentary parking to rewards card members. The Cosmopolitan is the only

resort that offers hotel guests free parking. Note that self-parking is not an option at Vdara, Delano, Four Seasons, and the Waldorf Astoria.

The parking fee structure has not remained static since 2016. MGM Resorts International raised parking fees in 2017 and 2018, respectively (Montero, 2017; Gilbertson, 2018). Wynn charged self-parking in spring 2017 but made the decision that guests patronizing all resort outlets and hotel guests could park for free at both the Wynn and Encore properties starting July 2018 (Lupiani & Porciuncula, 2018). Less than one year later, Wynn announced free self-parking at the self-park garages of both Wynn and Encore for all guests starting May 1, 2019. Earlier this year, the Las Vegas Convention and Visitors Authority reported that tourism from Southern California had dropped. Most Southern Californians drive to Las Vegas. Wynn's move was most likely in response to that adverse public reaction to parking fees on the Las Vegas Strip (Gartner & Wade, 2019).

## Literature Review

Revenue management is a scientific method used by the capacity constrained hospitality industry to maximize revenues by guiding the decision on how to allocate undifferentiated units of capacity to available demand (Forgacs, 2017; Kimes, 1989; Tallure & Van Ryzin, 2005). Previous revenue management studies published in hospitality and tourism journals have looked at forecasting (Haensel, & Koole, 2011; Neuling, Riedel, & Kalka, 2004; Oancea, & Bala, 2013; Weatherford, 2016) and overbooking techniques (Ely, Garrett, & Hinnosaar, 2017) as the key components of revenue management. Technology systems (Melián-González, & Bulchand-Gidumal, 2016; Noone, McGuire, & Niemeier, 2011) and customers' perceptions toward dynamic pricing (El Haddad, Hallak, & Assaker, 2015; Lan & Erdem, 2018) have been viewed as the factors that affect customers reservation behavior and the practice of revenue management. For example, occupancy information (Chen & Schwartz, 2006), historical price patterns (Chen & Schwartz, 2008), the number of days before the check-in date (Chen & Schwartz, 2008), and cancellation policies (Chen, Schwartz & Vargas, 2011) are found to have an impact on customers' willingness to book a hotel room.

Previous research highlights the importance of revenue management from both the demand and supply sides. As technology has a more significant impact on customer behavior, the hospitality industry has seen a growing need for traditional revenue management to total revenue management (Hernandez, 2018; Landman, 2019; Mockerman, 2017). Specifically, new IT platforms have shaped new consumer cultures (Law, Chan, & Wang, 2018; Su, 2017). Social media is about travel communication and self-surveillance to a considerable degree (Noone, McGuire, & Niemeier, 2011; Xie, Zhang, Zhang, Singh, & Lee, 2016). Facebook, Twitter, and Instagram hold important functions of self-representation, and travel generates attention and creates social and network capital (Piccoli, Lui, & Grün, 2017). As consumers reveal information about themselves, revenue management systems possess a growing amount of data on the individual. This implies that instead of focusing only on a room revenue model, the property should design pricing strategies that optimize the total performance of the hotel and aim to maximize the total revenue from all sectors.

Academic research about total revenue management concept is scarce. Only recently have scholars begun to recognize that customer value is the key component to hotel success. As a result, integrating several revenue streams including F&B, function space, catering, spas, retail, golf, and others with room revenue management is crucial to hotel revenue maximization (Noone, Enz, & Glassmire, 2017; Zheng & Forgacs, 2017). Investigating specific non-traditional hotel operating departments, convention hotel function spaces (Maier & Intrevado, 2018) and customers' preferences toward resort fees (Repetti, Roe, & Gregory, 2015) are current topics of research. However, there no research about the effectiveness of including parking fees in the total revenue management system.

## Conclusion

A longstanding tradition on the Las Vegas Strip has always been free parking. However, since the evolution of the Strip in recent years has emphasized high-end clubs, restaurants, and live entertainment and broadened the visitor profile to include nongamblers, revenue sources have broadened as well — with parking fees being the latest and most controversial. MGM Resorts International is the first to break the free parking tradition in June 2016. Different parking fee structures are discussed. A thorough review of the literature concerning revenue management provides the theoretical foundation of this case study.

**Table 1**

**Pricing Scheme Parking at Integrated Resorts and Hotels Las Vegas Strip**

<b>Company</b>	<b>Properties</b>	<b>Pricing Scheme (Self-Parking)</b>	<b>Exceptions from Parking Fee</b>
MGM Resorts International	Circus Circus	Free	-
	Excalibur, Luxor	First 60 minutes free; \$6 for 1-2 hours, \$8 for 2-4 hours, \$10 for 4-24 hours, \$10 for each additional day/fraction.	Self-Parking complimentary: Pearl, Gold, Platinum and NOIR M life Rewards Members.
	Mandalay Bay, MGM Grand, New York-New York, Park MGM, The Mirage	First 60 minutes free; \$9 for 1-2 hours, \$12 for 2-4 hours, \$15 for 4-24 hours, \$15 for each additional day/fraction.	
	Aria, Bellagio	First 60 minutes free; \$9 for 1-2 hours, \$15 for 2-4 hours, \$18 for 4-24 hours, \$18 for each additional day/fraction.	
	Vdara* Delano** Four Seasons***	No Self-Parking. Valet Parking only. *(0-2 hours: \$21, 2-4 hours: \$24, 4-24 hours: \$30); **(0-2 hours: \$16, 2-4 hours: \$18, 4-24 hours: \$24); ***(\$32/day);	
Caesar Entertainment	Planet Hollywood	Free	-
	Bally's, Flamingo, Harrah's, Paris Las Vegas, The Cromwell, The LINQ	First 60 minutes free; \$9 for 1-2 hours, \$12 for 2-4 hours, \$15 for 4-24 hours, \$15 each additional day/fraction.	Self-Parking complimentary: Total Rewards members (Platinum, Diamond, Seven Stars).
	Caesars Palace	First 60 minutes free; \$12 for 1-2 hours, \$15 for 2-4 hours, \$18 for 4-24 hours, \$18 per day for each extra day.	
Sands Corporation	Palazzo, The Venetian	Free	-
Wynn Resorts, Ltd.	Wynn, Encore	Free	-
Blackstone Real Estate Partners	Cosmopolitan	First 60 minutes free; \$10 for 1-4 hours, \$15 for 4-24 hours, \$15 per day after the first 24 hours.	Self-parking complimentary: Hotel guests, and Identity/Rewards Members (Sterling status/higher).
Hilton	Waldorf Astoria	No Self-Parking. Valet Parking only. \$30/day.	-
Phil Ruffin	Treasure Island	Free	-
Tropicana Las Vegas Hotel and Resort	Tropicana	Free	-
Margaret Elardi	Best Western Plus Casino Royale	Free	-
Stockbridge Capital Partners	SLS Las Vegas	Free	-
Golden Entertainment	Stratosphere Casino, Hotel & Tower	Free	-

Source: Properties' own websites; Last update: May 8, 2019