

teaching note

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

Summary

Over forty-two million tourists visited Las Vegas, Nevada, in 2018. The Strip, central to Las Vegas, is where the city's most iconic hotels and casinos, restaurants, and entertainment shows are located. This is listed as a top-rated attraction worldwide. The Strip is a stretch of South Las Vegas Boulevard, approximately 4.2 miles in length. Las Vegas gaming revenue accounted for 59% of the total revenue in 1984, but this dropped to 34% in 2018. The decreasing gaming revenue is attributed to regulations, the acceptance of gambling in the society, and economic recessions. In addition, visitors, especially the younger generation, are gambling less and spending less on casino floors. Even given the increasing number of first-time visitors who were younger on average, they are more likely to take part in non-gambling activities, such as shows, bars, pool parties, and nightclubs. Approximately 48% of visitors' primary reason for visiting Las Vegas was vacation or pleasure, and only 5% of visitors' primary purpose was to gamble. Las Vegas is famous for reinventing itself over time by being innovative, providing new products, and always being ahead of the customer.

Transportation, an important factor in 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 Las Vegas Strip. All the resorts on the Strip have parking garage buildings located next to the main property. Parking used to be complimentary for all guests until June 2016. The only time customers paid for parking was when they chose to use valet services. In June 2016, MGM Resorts International was the first major casino company to initiate a parking fee. At that time, residents (with valid local driver's license) were exempt. When justifying the reasons for implementing these new parking fees, the resorts 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 revenue used to be easily offset by other costs. Charging a parking fee is even more legitimate if 70% of revenue comes from outside the casino, including celebrity restaurants, high-end shops, shows, and nightclubs. Later, Caesars Entertainment was the second to charge a parking fee 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 is not universal.

The structure of parking fee is based on the amount of 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. The parking fee rules are complicated and

have certain exceptions, such as residents, rewards card members, or hotel guests, who typically get free parking. All the resorts that charge parking fees offer complimentary parking to rewards card members.

Such parking fee structures have not remained static since 2016. Resorts have raised, altered, and dropped parking fees every year since the program began.

Target Audience

The target audience consists of undergraduate and graduate students taking hospitality and tourism management, revenue management, integrated resort management, customer relationship management, transportation management, destination management, and strategic management classes.

Learning Outcomes

At the completion of this lesson, students should be able to:

- Comprehend the principles of revenue management in the hospitality and tourism industry and its importance for successful operation performance of integrated resorts.
- Understand the basic economics of revenue management and the conditions that need to exist to implement it.
- Analyze the pricing scheme for parking fees in selected Las Vegas resorts with the knowledge of marketing, dynamic pricing, customer segmentation, and economics theory.
- Evaluate different objectives and goals for each property and/or resort company regarding their applied pricing strategies.
- Demonstrate the ability to manage conflicts for the competition among properties and customers' perception of fairness toward parking fees.

Lesson Plan

Prior to the lesson, students will be asked to read this case study along with additional readings about revenue management, integrated resorts management, and competitive strategy management in hospitality and tourism. Students are required to have a basic understanding and be able to discuss the following topics:

- Marketing principles
- Value chain of integrated resorts
- Total revenue management
- Transportation and self-driving tourism
- Parking management
- Competition behavior and strategic management
- Loyalty programs
- Customer relationship management

Discussion Topics and Questions

1. What are the opportunities and threats of introducing parking fees for the company?
2. Explain in detail the pricing variation across different properties of one company, such as MGM Resorts International or Caesars Entertainment.
3. Regarding business tactics, is it better to be the first mover or a follower in introducing parking fees? Discuss the pros and cons of each role.
4. How is dynamic pricing used to generate parking revenue? Specifically, explain self-parking policies by identifying next-door competitor's parking strategy, property location, market segments, and time frame. That is, why do some properties charge more per hour? Is that because of the good location, the target market, or something else? Also, why do some properties use a different time basis for parking fees (some are from 1-2 hours while others are from 1-4 hours)? Why is the first hour free for everyone across all properties?
5. From the perspective of total revenue management, do you think that charging a self-parking fee can maximize the revenue of the property?
6. Do you think offering reward card members complimentary parking a good strategy?
7. How to deal with customers' perceptions of fairness toward charging for parking, especially those properties that keep changing the parking rules?
8. Why do some properties, e.g., Sands Corporation, never charge self-parking fees?
9. What do you think the long-term impact of charging self-parking fees will be on the property's valet parking services?
10. Once in the parking garage (normally a multiple level structure), finding a parking spot takes time. In addition, access to the hotel and casino is almost always through a long walkway, regardless of the property. A 20-minute walk from the car to the lobby is commonplace. Ride sharing services, such as Uber or Lyft, and taxis, on the other hand, are relatively efficient in costs – both money and time wise. What do you think the long-term impact of such ride sharing and taxi services will be on properties that charge self-parking fees?
11. Given the future of urban mobility, that is, self-driving cars and flying drone taxis are going to affect the business model of charging fees for parking space. If it happens, how can the additional space of empty parking lots be re-used by the resorts in the future? Which new services can be provided by the resorts to replace the revenue coming from parking fees?
12. Use the Google maps (or any other comparable applications), please analyze the traffic and mobility situation in the Las Ve-

gas strip. In order to make mobility more efficient, experiential, and environmentally sustainable, how can customers travel along the strip differently?

Instructions

The case study can be taught in different delivery modes applying state-of-the-art instructional design as stated below. Each class plan requires a minimum of 75 minutes.

- Regular lecture mode: The core is a Think-Pair-Share activity. Each individual student is asked to read the case and is randomly assigned one of the questions ("think" 15 minutes). In the next step, students pair up into small groups of two or four who are also assigned to the same question. They compare solutions and identify different approaches ("pair" 20 minutes). After that each question is shared and presented to the class by a group, moderated by the instructor ("share" 40 minutes).
Flipped classroom mode: Students are asked to prepare the case and related materials at home (Herreid & Schiller, 2013). In the classroom, students pair up into small groups according to matching solutions and approaches ("match" 15 minutes). Each group presents its thoughts to the class, allowing time for debate and questions ("share" 40 minutes). Subsequently, students are asked to compare discussion results from their homework notes and reflect on their learning ("reflect" 20 minutes).
- Online teaching mode: Students are asked to prepare the case and to conduct desk research related to the topic. Using a chat function in the available learning management system, students are asked to engage individually in the online discussion platform regarding each question ("discuss" 30 minutes). After that, students watch a prerecorded instruction video about the case and the model answers are provided ("repeat" 15 minutes). The students conclude this module with a reflection on the online discussion, the instructional video, and their initial preparation notes, reflecting on their learning ("reflect" 30 Minutes). This reflection report is submitted online.

Assessment

This case study is designed to have an active learning interaction. Students will be responsible for facilitating their learning through actively participating in the assignment. Different tasks will be completed in class or online, which are a mix of group and individual assignments. Each task is unique and will be described at the time it is introduced. If preparation work is required for that assignment, it will be assigned as an out-of-class assignment.

Specifically, based on the principles of outcome-based education, several of the outcomes from the teaching explained above can be used as an assessment. Instructors can assess students continuously based on

their activity during the class. Items, such as reflection reports or online participation discussion can be considered as an individual assessment. The activity within the group as well as the group presentations are assessable as group work. Related grading rubrics need to be developed according to subject and university requirements.

Analysis of Teaching Objectives

- Communicate effectively in written, spoken, visual, and digital modes to peers and the instructor.
- Develop knowledge of the tourism and hospitality industry.
- Understand issues of parking fees in the total revenue management.
- Apply critical thinking to tourism and hospitality management problems.
- Evaluate critical tourism and hospitality management concepts.

Additional Sources and Assigned Readings

The role of dynamic pricing and revenue mix in hospitality: Roper, M. A., Triantis, K., Taylor, G. D., & Teodorović, D. (2018).

Management and operations of integrated resorts: Murphy, P. (2009).

Mobility, transportation and self-driving tourism: Prideaux, B., & Carson, D. (2010).

Competitive strategy in hospitality: Yong Kim, B., & Oh, H. (2004).

Long- and short-term pricing decisions in hospitality: Abrate, G., & Viglia, G. (2016).

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