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Ohio gambling spots' latest battlefield is away from gaming floor

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It's the second Wednesday in March and Scioto Downs Racino is showing off its plans to build a \$5.9 million, 230-seat craft brewery and restaurant. The ground-breaking ceremony coincides with the Columbus racino's weekly half-price lunch buffet for senior citizens, highlighting the contrasts in the entertainment demands of consumers.

While seniors punch the buttons on loud, colorful slot machines on the 1950s racetrack's newly furnished gaming floor, company executives gather outside to pose with shovels at the site of a hip attraction they hope will lure young visitors looking for a night on the town.

"It gives us another bullet in our gun to draw people here," General Manager [Troy Buswell](#) said of the planned Brew Brothers eatery, pegged for a fourth-quarter debut.

A dozen miles away, regardless of the day of the week, executives at Hollywood Casino Columbus are tinkering with similar restaurant and entertainment upgrades in the name of attracting and holding onto gamblers, or even just diners.

With all casinos and racinos open, the state's 3-year-old gaming industry is more clearly seeing its future and it's one that is hardly as bright as the glowing forecasts of a gambling jackpot used to sell Ohio voters years earlier. Experts acknowledge there is room for incremental growth, and they insist Ohio is better off financially and economically than before gambling arrived. But with racinos taking unexpectedly bigger bites from the casinos' business and the Great Lakes gambling states locked in a struggle with each other for players, Ohio's gambling centers are stepping up their competitive battle, oftentimes away from the gaming floor.

Cards are dealt

In 2009, before Ohio voters approved casino play, industry consultant Innovation Group projected the state's four casinos – planned for Columbus, Cleveland, Cincinnati and Toledo – would generate \$1.97 billion by 2013. Those estimates were later reduced by the County Commissioners' Association of Ohio to \$1.4 billion after a slow start to gambling in Ohio.

But the reality is about half that. For the 12 months ended in February, Ohio casinos pulled in \$815 million through slots and table games after paying out winnings. Even adding in racinos' revenue from slots-like video lottery terminals, the state's gaming pie failed to add up to expectations.

"Given the fierce competition, I don't see the \$1.4 billion happening anytime soon," said [Matt Schuler](#), executive director of the Ohio Casino Control Commission, the regulator overseeing the four casinos. "All racinos and casinos together didn't hit that \$1.4 billion number (last year)."

Though counties and cities are taking in less tax revenue than expected – the state's 33 percent tax levy is divided among counties, school districts, casino host cities and regulatory and problem-gambling funds – industry executives and analysts say they are not troubled by the shortfall. The prevailing attitude is that whatever gaming adds to the state is gravy.

"There were a number of different studies done for revenue projections, but the way I look at it is you take all these things and you can throw them out the door," said [Alan Silver](#), an assistant professor of restaurant, hotel and tourism studies at Ohio University. "What we have now is what we have. Four casinos and seven racinos, they're all open now and we're going to get a good feel for what's going on in the state of Ohio. The casinos have had a slower ramp-up time than maybe they had anticipated, but overall it's been positive."

The casinos – **Penn National Gaming Inc.'s** Hollywood facilities in Columbus and Toledo and the Horseshoe properties in Cleveland and Cincinnati – have settled into a range of about \$60 million to \$75 million a month in combined revenue.

But faced with competition from four racinos added around the state over the past 12 months, revenue sank 3 percent from \$839 million to \$815 million through February, according to the Casino Control Commission.

Over the same period, racino revenue more than doubled to \$691 million, from \$311 million, show data from the Ohio Lottery Commission, which regulates the state's seven racinos as well as traditional lottery games.

"They've lost a lot to racinos," Silver said. "There's a marketing war, literally a marketing war. You can get into these marketing wars – it's something these operators have to be aware of here in Ohio."

They may be pulling out all the stops but free play for gamblers, he said, hardly is free to the venues.

"It's highly competitive," said [John Boyd Jr.](#), an industry consultant for Boyd Company Inc. in Princeton, New Jersey. "While they want to attract gamblers from other countries and other states, they very much need to dominate local markets."

Battle for Columbus

Executives of Penn National Gaming Inc., which owns Hollywood Casino Columbus, and Eldorado Resorts Inc., the operator of Scioto Downs, are publicly bullish on their properties' potential.

"It's still an immature market, there's still a long way to go," Hollywood General Manager [Himbert Sinopoli](#) said. "With Columbus, we're pretty insulated here. It's not like Cincinnati and Cleveland (with more competition)."

Before state voters approved casino gaming in 2009, studies indicated more than \$1 billion in bets crossed over Ohio's borders for states that offered table and slots gaming. But, now that much of that has been captured, casinos and racinos must look within their own cities to pull people in.

And racinos have eaten into those markets for the four major gambling houses.

"We have four casinos in major cities, and then we have these racinos which are out in the suburbs, which has really impacted the casinos and the casino revenue," Silver said. "A lot of individuals that live out in the 'burbs don't want to go into the city."

Scioto Downs and Hollywood Casino have shuffled back and forth, trading leads in slots revenue. Each has been creative to attract customers, Silver said.

"It's been a war between the two of them," he said. "Scioto had that free play strategy, (saying) we're not going to advertise as much but we're going to send mailings to people that come. That's worked, I thought from very beginning they've done a hell of a job."

Silver and others can't help but wonder whether the Hollywood Casino would be more attractive at its originally planned site in the Arena District, rather than out on the west side.

"I always had doubts about the west side location. It's off the beaten track and that's hard for tourists," Silver said.

Schuler agreed: "There seems to be a consensus that if it was located downtown it would be better performing."

Spend money to make money

Penn National and Eldorado Resorts, which own 26 and six gaming properties, respectively, are using deep pockets to make investments in their Columbus properties.

Those non-gaming amenities – restaurants, bars, smoking patios – will be key to keeping customers happy, but perhaps more importantly drawing new ones.

Scioto Downs' Brew Brothers restaurant, a concept borrowed from Eldorado's casino in Reno, Nevada, will brew five of its own beers, helping to draw younger visitors and even ones from Hollywood Casino's territory.

"Number one, we definitely need another spot for our gamblers to eat," said [Gregg Carano](#), vice president of food and beverage for Eldorado. "It definitely will not only attract more people, but also from a wider area."

Added racino GM Buswell: "We draw well from south of I-70. We want to tap that north part of town."

For Hollywood Casino, drawing more guests to its Georgesville Road home has meant much the same strategy.

Soon after it opened in fall 2012, slot machines crowding the popular OH Lounge were moved away to create more room in that entertainment center.

Penn National spent more than \$500,000 this February to open an Asian eatery, Zen Noodle Bar.

Last fall, it opened an outdoor smoking patio equipped with slot machines.

"There's still those out there who haven't ventured down here," Sinopoli said. "We remind them there's a lot more than table games – we have (five) restaurants."

And Penn National hasn't yet ruled out a hotel on the grounds of Hollywood casino, he said. After all, the bright lights of Las Vegas are a big draw for a reason – there's a lot more to do than sit down at a machine.

"There's the stereotype of the old lady playing slots," Schuler said. "(Non-gaming amenities) are important to the younger generation. That's what's happening here, you're starting to see investment."

Evan Weese covers funding and capital for Columbus Business First.