

Giving Away the House? Las Vegas Resorts Reopen With Rock-Bottom Rates

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June 8, 2020



Initial visitors to Sin City following coronavirus shutdowns may feel like they hit a jackpot before they even board a plane.

Some Las Vegas casino resorts reopened last week after Nevada lifted coronavirus restrictions that had been in place since late March. Travelers looking to book a room were greeted by an array of deals at normally expensive Las Vegas Strip resorts.

The five-star Bellagio had mid-week rooms for \$125 per night later in the summer. Wynn Las Vegas offered a \$150 per night weekend package at the end of June that included a \$100 dining credit. The Cosmopolitan is waiving all self-parking fees, and other resorts like the Sahara Las Vegas said they would waive resort fees, sometimes known as “the most-hated fee in travel.”

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It wasn't too long ago when travel analysts said offering steep discounts right out of a downturn would bake in further financial duress for struggling operators. But analysts argue Las Vegas is a different kind of travel animal and has enough revenue streams to make it pencil out.

“If you want to induce someone to come to Miami, you still really need the traveler to buy the room,” LW Hospitality Advisors Chief Operating Officer Evan Weiss said. “In Vegas, they need you to pay for the room less to still come in and spend money. They can afford to break even or even lose a little on the room in the hopes that you sit down at the table and drop some money or go to bars or a show.”

Las Vegas may be rooted in casino gaming, but a modern Sin City resort has a variety of revenue streams. Gaming revenue in 2019 accounted for 34 percent of the revenue made at the 169 Clark County casino resorts grossing at least \$1 million, according to the Nevada Gaming Control Board. But hotel room revenue was still 27 percent of revenue, food and beverage at 26 percent, and “other” at 13 percent.

Reopened casinos are limited to 50 percent occupancy caps, and it will likely still be a while before social distancing guidelines allow something like a Celine Dion residency at Caesars Palace to be back as flashy — and revenue-driving — as before. But there are still many more ways to spend money in Las Vegas than on a hotel room, even during a pandemic.

“When you have as many profit centers as a casino resort does, occupancy is often the more significant driver [than daily rates],” CBRE Director of Gaming Consulting Brent Piroch said.

Hotel data firm STR does not release performance data for Las Vegas due to the gaming nature of the market, a company spokesperson told Skift.

Representatives with MGM Resorts, Wynn Resorts, and the Cosmopolitan declined to comment regarding the room discounts. However, a representative with the Cosmopolitan did point Skift to a section of the resort's website confirming a variety of room discounts and incentives.

“Hoteliers are trying their best to drive business back by effectively communicating the precautionary measures they are deploying and removing or reducing friction points, such as paid parking, resort fees, etc.,” said Mehmet Erdem, a University of Nevada Las Vegas hospitality professor, via email.

Some Las Vegas resort operators even re-launched operations last week by waiving resort fees, one of the more complained about aspects of travel. Hotel operators claim resort fees are a way to bundle amenity costs. Critics argue the fees, added to the daily rate as a separate charge with taxes, mask the true cost of a hotel stay.

Las Vegas has some of the highest resort fees of U.S. markets, with daily fees getting as high as \$45 at properties like the Bellagio and Wynn Las Vegas. While most Las Vegas resorts that have reopened continue to charge fees, the Sahara Las Vegas is a notable exception. The Cosmopolitan and MGM Grand, while still charging resort fees, did waive self-parking charges.

The variety of discounting is aimed at winning over local business as well as gaining a competitive edge, Erdem said. The lack of mass resort fee waiving could show operators don't see the charge as a dealbreaker yet to returning travelers.

But there is a justified fear of giving too much of the house away. New Orleans hoteliers deeply discounted rooms to lure travelers back to the Crescent City following the Hurricane Katrina disaster in 2005. Revenue per room, the hotel industry's key performance metric, didn't surpass 2005 levels until six years later, according to STR.

Hotel analysts cautioned against discounting in the early stages of the pandemic. It can also permanently alter guest expectations if the practice continues for too long.

“Once deep discounting takes off, it tends to put pressure on hoteliers of the competitive set to follow the lead of the discounting hotel,” Erdem said. “Guests begin to change their perceptions of what a fair rate is and/or the location begins to attract more price-sensitive guests.”

But the biggest hurdle for Las Vegas casinos may have less to do with daily rate and revenue calculations and more to do with the unemployment rate, STR Senior Vice President of Lodging Insights Jan Freitag said.

Resorts have the recovery strategy of building back occupancy and wowing guests with a good experience to create brand loyalty. Leisure travel may be the first to rebound, but the unemployment rate — despite an unexpectedly strong showing in May — is still high. Discounted rates still may not be enough to win over potential travelers if they are still out of work.

“Leisure destinations have to figure out how to unleash their travel potential to a group of people where travel isn't necessarily the number one item on their to-do list,” Freitag said.

Tags: coronavirus, coronavirus recovery, las vegas, mgm resorts, str, wynn resorts
Photo Credit: Las Vegas resorts are dropping rates and waiving fees to win over the initial wave of travelers coming out of coronavirus shutdowns. Clément Bardot / Wikimedia