



# **CASINO NATION: HARRAH'S ATLANTIC CITY AND SUCCESS IN THE AMERICAN CASINO ERA**

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# Harrah's:

## Nevada beginnings, 1937-78

- Begins in local gambling halls of Reno, NV - bingo hall to *Harrah's Club*
- reliable luxury: focus on middling gamblers – ex. Greyhound bus program from San Francisco to Reno
- High standards for employees in early Reno casino in 1940s, ex. daily weigh-ins to prevent an overweight workforce
- Reno casino- detail-oriented approach to customer service, managers checked every light bulb, painting meticulously
- Harrah's avoids Las Vegas due to mafia influence
- 1971: Harrah's goes public with stock offering– (1st gaming company to do so), 1974, listed on New York Stock Exchange



# Harrah's & the rise of Atlantic City, 1980-1992

- 1980: Harrah's merges with Holiday Inn, opens quietly in AC— first casino to open across town away from Boardwalk
- Harrah's location in marina district allowed it to build a vast parking garage
- Parking garage set it apart from its Boardwalk competitors (starved for parking)
- Parking garage facilitated Harrah's emphasis on drive-up customers vs. bus travelers that were focus of other casinos' promotions in 1980s



# Harrah's & the rise of Atlantic City, 1980-1992

- **1980 - Holiday Inns acquires Harrah's- confluence of middle-class appeal: casino & hotel chain – marketing analysis very effective**
- **Harrah's focus on slot machines in early 1980s contrasted with other Atlantic City properties**
- **slots focus recalled Harrah's roots: appeal to housewives and seniors -- low glamour, but highly profitable**
- **1986: Harrah's-Trump merger fails for shared Boardwalk property: symbolized difference in casino cultures**
- **Harrah's ultimately much more successful in AC than Trump casinos –**
- **recession & 'junk bond' debt crisis hurts industry (interest rates, 10-17%), 1988-1992, Harrah's had no outstanding bonded debt. in strong position in early 1990s**



Chandeliers in the lobby of Trump Plaza





# Harrah's & Atlantic City's Kingdom of Slot Machines, 1980s-1990s

# Harrah's & the rise of Atlantic City, 1980-1992

- Harrah's pioneered casino gambling as middle-brow entertainment, Phil Satre, CEO in 1993:
  - ***"...these trips are not about getting rich.... They are about friends getting together in an environment of celebration. They are about leaving the passivity of watching whether it is watching TV, watching sports, or watching birds in a park, and becoming actively engaged in the fast-paced action, colors and sounds of a casino."***
- Harrah's Atlantic City Vice President, 1990:

"We also don't deviate from the middle to upper-middle segment of the marketplace. We don't really deal with the high-end or the bus patron level."

# Slot Win as Per Cent of Total Win: 5 Atlantic City casinos, 1981-1985

Casino	1981	1982	1983	1984	1985
Bally's Park Place	47.8%	51%	54%	53.5%	55.9%
Caesar's	34.1%	38.1%	45.3%	45.2%	48.4%
<b>Harrah's</b>	<b>51.3%</b>	<b>55%</b>	<b>57.9%</b>	<b>60.1%</b>	<b>59.6%</b>
Golden Nugget	41.8%	42.6%	47.9%	46.6%	47%
Resorts International	45.3%	47%	50%	52%	50.1%
Industry Average	42.8%	46.5%	43.6%	50.2%	52%

# GOP Margin (Gross Operating Profit/Net Revenue) 5 Key AC Casinos, 1981-1985

Casino	1981	1982	1983	1984	1985
Bally's Park Place	28.2%	28.4%	31.5%	31.6%	30.9%
Caesar's	24.1%	22.3%	16.9%	20.1%	22.8%
<b>Harrah's</b>	<b>20.9%</b>	<b>32.4%</b>	<b>35.3%</b>	<b>34.3%</b>	<b>27.4%</b>
Golden Nugget	27.7%	29.2%	32.6%	36.2%	31.7%
Resorts International	22.8%	22.1%	31.5%	30.2%	26.9%
Industry Average	21.5%	21.6%	26.1%	25.1%	23.2%



# 1992-2001: Atlantic City's kingdom of slots

- Slot machines increase dramatically in AC casinos in early 1990s & help propel AC out of a serious recession, industry crisis – Foxwoods (CT) originally prohibited from slots gaming
- 1990s: video slots, game show themed-slots, progressive jackpots all enhance entertainment value of slot operations
- AC operators discover that slots are more efficient revenue generators than table games for their clientele
- a la Harrah's, other casinos adopt customer-oriented approach to gaming by dropping slots 'win' %
- Rise of slots' popularity enhanced by state de-regulation to increase allotment of casino floor space for slot machines
- State decision represented a reversal of attitude

# Slot Win as Per Cent of Total Win: Key Atlantic City casinos, 2001-2005

Casino	2001	2002	2003	2004	2005
Bally's Park Place	73.2%	72.2%	73.2%	73.2%	74%
Caesar's	65.7%	66.1%	68%	70.5%	69.3%
<b>Harrah's</b>	<b>87.5%</b>	<b>89%</b>	<b>89.7%</b>	<b>89.4%</b>	<b>88.8%</b>
Trump Taj Mahal	65.4%	67.8%	66.3%	67.3%	64%
Resorts International	72.3%	73.4%	75%	74.7%	74.6%
Industry Average	73%	74.4%	74.1%	74%	73.2%

# GOP Margin (Gross Operating Profit/Net Revenue) 5 Key AC Casinos, 2001-2005

Casino	2001	2002	2003	2004	2005
Bally's Park Place	30%	33.1%	26.8%	26.8%	25.7%
Caesar's	29.4%	32.9%	32.5%	30.7%	31.9%
<b>Harrah's</b>	<b>36.8%</b>	<b>42.4%</b>	<b>41.7%</b>	<b>38.5%</b>	<b>39.5%</b>
Trump Taj Mahal	19.1%	25.1%	20.9%	21.4%	20.8%
Resorts International	12.4%	15.6%	13.4%	12%	12.7%
Industry Average	23.9%	28.5%	26.7%	26.4%	26.6%

## Atlantic City slots 'win' or (hold), 1981 - 2001

	1981	2001
Harrah's	12.5% slots 'win'	7.8% slots 'win'
Atlantic City casino average	14% slots 'win'	8% slots 'win'

## Numbers of slot machines, 1981-2001

	1981	1991	2001	% increase, 1981-2001
Harrah's	1,130	1,867	3,171	281%
all Atlantic City casinos	11,365	21,634	37,483	330%





# Harrah's expansion & success: 1990-2008

- 1990s - Harrah's around US: New Orleans, Chicago, Missouri, North Carolina, Showboat (AC), Rio in Las Vegas, including tribal partnerships: North Carolina, Arizona, California & Kansas
- Mississippi success: Tunica, Biloxi & Harrah's launched 'Margaritaville' project in Biloxi in 2007: \$700 million project promotes post-Katrina revival of Mississippi Gulf Coast – casino with deep pockets
- 2005: Harrah's - \$7.1 billion revenues from gambling (entire film industry = \$9 billion)
- 2007: Atlantic City casino industry total gross revenue = \$6.3 billion, Harrah's Atlantic City = \$660 million- **Harrah's increased revenue while Atlantic City declined, 2006-2007**
- Emphasis on casino floor for revenues, ex.
  - 2005: Harrah's = 85% of revenue -gambling vs. 46% MGM Mirage
- 2005: Harrah's acquires Caesar's for \$9.4 billion– controlled 41% of Atlantic City gaming market, largest global gaming company
- 2006: two private equity firms buy Harrah's for \$17 billion+ in LBO
- Harrah's international expansion, 2004-2008: Spain, UK, Slovenia, Bahamas, Egypt, South Africa – slowed & cut back lately due to US economy, company debt, capital markets instability (?)

**Northeast Inlet  
Neighborhood, 1982:  
before**



NE Inlet: Harrah's initial \$86 million housing investment via CRDA, 1988

**Northeast Inlet  
Neighborhood, 2003:  
after**



# Harrah's & Atlantic City community

- Casino commitment to local community enforced by 1977 legislation: casinos to be “unique tool of urban redevelopment”
- Harrah's eventually employs 3,000-4,000 people in city of @40,000 and region of @200,000+
- 1984: est. of 1.25% ‘win’ tax for Casino Re-development Authority (CRDA) – leads to Harrah's major housing development
- 1988: Northeast Inlet project: \$500 million+ housing development program with dedicated Harrah's funding (\$86 million) ‘
- Three-planked company credo: commitment to guests, employees and community