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## Casinos must prepare themselves for the post-smoking paradigm

Some things in life just go together nicely, even if we don't know exactly why. Some examples: peanut butter and jelly, green eggs and ham, and Brad Pitt and Angelina Jolie (well, maybe).

Gambling and smoking seem to be another example. Consider the "trance" state that comes with chain smoking while playing a slot machine. Whether because of addiction or personal preference, gamblers – at least those from whom the casino industry gets the majority of its revenues – enjoy lighting up while they play.

But societal acceptance of the two peas in this pod is clearly headed in opposite directions: less smoking, more gaming. By complaining about, and actively opposing smoking bans, casinos are joining a fight they cannot win. Instead, the industry should adopt a post-smoking paradigm that recognizes that being associated with and promoting smoking is far more damaging over the long term than experiencing short-term revenue damage from smoking bans.

The gaming industry has worked tirelessly to differentiate itself from tobacco and the other so-called sin industries, both by promoting its economic and political benefits and by working with authorities to crack down on bad actors. Its contemporary, monolithic resort-casinos are increasingly pitched as family-friendly destinations where the gaming floor is just one activity that visitors can choose from.

By contrast, the tobacco industry has long been in the doghouse of politics and public opinion, and that isn't going to change, ever. Over the past quarter century, new scientific findings, endless lawsuits, and the exposure of the sleazy innards of the business have rendered almost any association with smoking as virtually cancerous.

Revelations by the New York Times last month that the U.S. Chamber of Commerce has been doing the dirty work of Big Tobacco by fighting anti-smoking and labelling measures in countries around the world show how explosive the issue remains. As one can expect, insurers and health companies that are working diligently to get their clients to stop smoking, or not to start at all, were not pleased. CVS, a health company known particularly for its pharmacy chain, quit the Chamber altogether over the matter.

Smoking prohibitions may be good for the public image of casinos, and their employees, but they are bad for the bottom line for casinos. For example, a study by the Federal Reserve Bank of St. Louis found that a statewide smoking ban in Illinois in 2008 caused a 20 percent drop in casino revenue and a \$200 million loss in tax revenue.

Atlantic City's Revel is another classic example. In its attempt to compete with the Borgata for the title of the city's premium casino upon opening in 2012, it prohibited smoking on all of the gaming floors. Gamblers wishing to smoke had to trek down the escalators of the oddly designed atrium and were then cordoned off into a designated smoking area outside.

Clearly feeling treated as though they were second-class citizens, smokers voted with their feet and patronized the Boardwalk's other, smoker-friendly casinos. The Revel quickly realized it made a mistake and reversed course to create a designated smoking zone on the floor, but the damage had been done as potential long-term clients were chased away.

News that Macau may soften its smoking prohibition prompted a sharp increase in stock prices, but it is not an elixir, nor would be New Orleans reversing its city-wide smoking ban. As painful as such prohibitions may be, fighting against such measures will only become more difficult and futile as pressure from health activists – and evidence of the negative aspects of second-hand smoke – continue to mount.

Casinos today are in the unenviable position of simultaneously trying to appease their core clientele, which prefers smoking (or, at minimum, has no strong objections to it), and newer patrons (actual and potential) who oppose smoking but do not (yet) spend as much money as the smokers.

Players who must get up and walk outside once every hour to smoke will not spend as much time at the machines, if they don't leave altogether. This is not just a problem of overzealous state regulators under pressure from public interest groups and health companies who have a clear interest in restricting smoking. Casinos, such as the Revel, that voluntarily prohibit smoking as a progressive stance to target a newer, higher-end clientele often end up regretting the decision.

Nevertheless, being on the wrong side of the smoking issue will hurt the gaming industry's efforts to rebrand itself as a good corporate citizen. Public opinion will certainly empathize more with the non-smoker cocktail waitress who gets lung cancer from her work environment than with tycoons complaining about how smoking bans hurt their bottom line. This is not a fight that can be won.

A great deal of creativity has been channeled into opposing smoking bans over the years. That must be rerouted into determining how casinos can survive in the inevitable post-tobacco world.

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