Company Case 7

LAS VEGAS: WHAT’S NOT HAPPENING IN VEGAS

When you hear someone mention Las Vegas, what comes to mind? Sin City? Wholesome entertainment for the entire family? An indulgent luxury vacation? Or perhaps a value-oriented reward for hard working Americans? If you answered “all of the above,” you wouldn’t necessarily be wrong. The truth is, all of these have been characteristics associated with Las Vegas over the years. In recent times, the Las Vegas Convention and Visitors Authority (LVCVA) fielded several national ad campaigns. Tourism is Vegas’s biggest industry, and the LVCVA is charged with maintaining the city’s brand image and keeping the visitors coming to one of the world’s most famous cities.

Although the positioning of the Vegas brand has changed from time to time, the town will probably never entirely lose “Sin City” Label. That title was born when Las Vegas was young—an anything-goes gambling town full of smoke-filled casinos, bawdy all-girl revues, all-you-can-eat buffets, Elvis impersonators, and no-wait weddings on the Vegas Strip. This was the Vegas epitomized by the Rat Pack, when Frank Sinatra, Dean Martin, Sammy Davis Jr., and the rest of the crew appeared nightly on stage to standing room only crowds at the Sands Hotel. Sinatra was even known for referring to anywhere that wasn’t Las Vegas as “dullsville.”

But as the 1990s rolled around, many Las Vegas officials felt that the town needed to broaden its target audience. So they set out to appeal to—of all things—families. Some of the biggest casinos on the strip built roller coasters and other thrill rides, world-class water parks, and family-friendly shows like Treasure Island’s live-action swashbuckler spectacle, visible to everyone passing by on the street. Although this strategy seemed effective for a brief time, Vegas marketers came to realize that the family image just didn’t sync well with the classic vices, still alive and well in Vegas.

After the terrorist attacks of September 11, 2001, Las Vegas tourism suffered one of its worst blows ever. Declining tourism led to 15,000 lost jobs. The LVCVA decided that it was time to unabashedly proclaim that Las Vegas was a destination for adults. That didn’t just mean a return to the classic vices. The LVCVA engineered an image of Vegas as a luxury destination oozing with excess and indulgence. Gone were the theme parks, replaced by five-star resorts, high-rise condos, expansive shopping malls filled with the world’s top luxury brands, and restaurants bearing the names of world-renowned chefs. Family-friendly entertainment was replaced by a new breed of high-dollar stage shows for adult audiences. This change of strategy worked. Even as Las Vegas struggled through economic recovery in the post 9-11 world, visitors returned in record numbers.

However, to Rossi Ralenkotter, CEO of the LVCVA, it soon became apparent that the town was much more than just an assortment of facilities and amenities. “We talked to old customers and new customers to determine the essence of the brand of Las Vegas,” he said. The LVCVA found that to the nearly 40 million who flocked to the city each year, Vegas is an emotional connection, a total brand experience.

And just what is the “Las Vegas experience”? Research showed that when people come to Las Vegas, they’re a little naughtier—a little less inhibited. They stay out longer, eat more, do some gambling, and spend more on shopping and dining. “We found that [the Las Vegas experience] centered on adult freedom,” says Ralenkotter. “People could stay up all night and do things they wouldn’t normally do in their own towns.”

Based on these customer insights, the LVCVA coined the now-familiar catchphrase—“Only Vegas: What happens here, stays here.” The phrase captured the essence of the Las Vegas experience—that it’s okay to be a little naughty in Vegas. That simple phrase became the centerpiece of what is now deemed one of the most successful tourism campaigns in history. The campaign transformed Las Vegas’s image from one of the down-and-dirty “Sin City” to the enticing and luxurious “Only Vegas.”

The LVCVA spent $75 million on the innovative “What happens here, stays here” ad campaign. Early ads were based on 2,500 real stories culled from visitors through market research. True to the brand’s positioning, the award-winning campaign showed the naughty nature of people once they arrive in Las Vegas.

In one ad, a woman spontaneously married a visibly younger man in a Las Vegas wedding chapel. Then, ignoring his ardent pleas, she kissed him goodbye and pulled herself away, insisting that she had to get back to her business convention. In another ad, an outgoing young woman is shown introducing herself to various men, each time giving a different name. In a third ad, a sexy woman hops into a limo, flirts with the driver, and emerges from the car at the airport for her trip home as a conservative business woman. At the end of each ad was the simple reminder, “What happens here, stays here.”

The LVCVA continued investing heavily in the bold and provocative campaign and in a variation on the theme, “Your Vegas is showing.” All the while, Las Vegas experienced its biggest growth boom in history. Hotel occupancy rates hovered at an incredible 90 percent, visitors came in ever-increasing numbers, and there was seemingly no end to the construction of lavish new luxury properties. To top it all off, Las Vegas was dubbed the number two hottest brand by respected brand consultancy Landor Associates, right behind Google. It seemed that the LVCVA had found the magic formula and that Vegas had found its true identity: With everything going so well, what could possibly go wrong?

Then in 2008, Las Vegas suffered a one-two punch. First, the worst recession since the Great Depression had consumers scaling back on unnecessary expenses. Second, in the wake of government bailouts and a collapsing financial industry, company CEOs and executives everywhere came under scrutiny for lavish expenses. Suddenly, Las Vegas’s carefully nurtured, naughty, indulgent image, made even prudent, serious company conferences held there look bad. It didn’t help matters when President Obama delivered a statement that Las Vegas mayor, Oscar Goodman, perceived as the straw that broke the camel’s back. Obama scolded Wall Street executives by saying, “You can’t get corporate jets, you can’t go take a trip
Las Vegas or go down to the Super Bowl on the taxpayer's dime." As a result of the new economic realities, both leisure travel and the convention industry—two staples in Las Vegas success—took a big hit.

A wave of cancellations ensued. In early 2009, convention attendance and hotel occupancies were down by 30 percent or more over the previous year. The number of total visitors to Las Vegas fell 12 percent. And Nevada's unemployment rate climbed to one of the highest in the United States at 10.4 percent. In an illustration of the suddenness of this turn of events, Mayor Goodman said, "I didn't see this coming, and when it hit it hit virtually overnight." The Las Vegas hospitality industry responded by chopping prices. Rooms on the strip could be had as cheaply as $25 a night. Gourmet meals were touted for half-price. The town was practically begging for guests.

After years of successfully pedaling Vegas naughtiness as the

primary selling point, the LVCVA realized it had to make a shift. So it did what many organizations did during the economic downturn. With so much to offer and great deals to be had, it focused on the value and affordability of a Vegas vacation. It unveiled a new ad campaign with a new slogan, "Vegas Bound." The campaign urged hard-working Americans to take a well-deserved break in Las Vegas in order to recharge their batteries before returning home to brave the tough economy. A series of Vegas Bound ads and online mini-documentaries showed average Americans in high-end nightclubs, spas, and restaurants. One grinning 81-year-old woman was even shown giving a thumbs-up after an indoor skydiving session.

"We had to think how we should address our customers during this financial crisis when they're reluctant to make big financial commitments," said the LVCVA's Ralenkotter at the start of the campaign. "We're appealing to Americans saying, 'You're working hard. It's OK to take a break.'" The campaign didn't eliminate glamour and luxury. Rather, it repackaged these traits in an "affordable" and "well-deserved" wrapper.

But after so many years of hearing about Las Vegas as a guilt-free adult playground, no matter what the ad campaign said, consumers had a hard time seeing Vegas as prudent. Indeed, it took the LVCVA only five months to pull the plug on "Vegas Bound" and to resurrect "What happens here, stays here." In a near 180-degree flip, Ralenkotter said, "We feel it is time to get back to our brand messaging." Despite the drastic change in course, the city's marketers claim that the brief "value" campaign was successful. However, later research showed that even in a painful recession, consumers still saw Vegas for what it was; a place where they could go to sample pleasures not available at home.

The resurrected "What happens here, stays here" campaign was lightly updated to recognize the recession in a humorous way. In one TV spot, a female TV journalist reports from a deserted Vegas swimming pool, calling it "yet another troubling sign of the times." But as soon as the cameras stopped rolling, partiers emerged from nowhere, dancing to thumping music and packing the pool. Even the reporter shed her business attire to reveal a bikini and cannonballed into the pool. The ad ended with the familiar, "What happens in Vegas . . ." The point of the ad? Las Vegas is still alive and thriving, and it's ok to take advantage of it.

Las Vegas has experienced the best of times and the worst of times. In the end, R&R Partners, the ad agency handling the Las Vegas marketing campaigns, made an important discovery. It found through its research that, especially during hard economic times, people wanted to know that the same Vegas they've known and loved is still there. Times may be brightening. Researchers, industry insiders, and LVCVA managers now sense that consumers are relaxing a bit and may be ready to splurge again. Maybe. But whatever happens, the city of Las Vegas will face many challenges in the months and years to come.

Questions for Discussion

1. Given all the changes in the branding strategy for Las Vegas over the years, has the Vegas brand had a consistent meaning to consumers? Is this a benefit or a detriment as the city moves forward?

2. What is Las Vegas selling? What are visitors really buying? Discuss these questions in terms of the core benefit, actual product, and augmented product levels.

3. Will the most recent ad campaign work? Why or why not?

4. What recommendations would you make to the managers at the LVCVA for Las Vegas’s future?