**Case Study: The Rise and Fall of Caesars Entertainment Inc.**

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**ABSTRACT**

Caesar’s Entertainment Inc. is currently the largest gambling enterprise in the world. However, this status conceals a precarious past plagued with poor management and crippling debt. In 2008, sinking under $24 billion in debt, the casino giant declared Chapter 11 bankruptcy. After activist investors brought reorganization and a new IPO, a Supreme Court decision helped foster a new digital gaming horizon, which might bring Caesar’s empire back to great fortune.

**Learning Objective** To understand the dramatic transition of a dominant firm in a worldwide industry; assess its digital transformation in the face of its past management issues and evaluate the effectiveness of the new digital strategy.

**Appropriate for the Following Courses** Business, Strategy, and Marketing

**INTRODUCTION**

 Like Hannibal at the gates, the firm was ravaged by corporate barbarians. The shaky Caesar's empire had been built on an ill-fated leveraged purchase. Seven years later, the new ownership would file for Chapter 11 bankruptcy protection to restructure the company. The fight that ensued for control of the casino empire would wage for four long years and end with a bankruptcy settlement (Indap, 2017). Four years after taking Harrah's private, the owners launched an IPO to raise funds and allow junior investors to divest their positions. Again, the barbarians were drawn to the gates of Caesars (Berzon & Smith, 2012). The move to take Caesars to the stock market brought the attention of institutional investor Carl Icahn, who made a large investment in Caesars, gaining significant influence on the board of directors (Lombardo, 2019). Icahn believed Caesar's gambling empire should sell itself because it had excellent assets but poor management. He felt a rival would manage the business better and create more value (Lombardo, 2019). After a series of boardroom fights, the sale of Caesars was completed on a cash and stock swap with Eldorado resorts (Hoium, 2019).

 The new Caesars empire stretched to ten states and fifty casinos. The merger gave Caesar’s presence in Florida, Ohio, West Virginia, and Colorado as new markets (Hoium, 2019). New property and a more significant footprint meant more tremendous potential. A Supreme Court ruling in 2018 brought new opportunities. Shortly after the court ruling, the empire acquired British gambling giant William Hill Inc. (Reuters, 2020). The William Hill Inc. conquest signaled a new battlefront for the Caesars empire. Caesar’s set out on a digital campaign (Reuters, 2020). However, before marching onward, the firm would have to consider the territory they were about to enter. Would the state governments welcome them with a tribute or expel them as persona non grata? The casino giant also needed to consider the financial health of the company. The company had been beset with debt and inefficiencies (Morgenson, 2014). Caesars was determined to grow into the new strategic campaign of sports betting. Still, if it did not get the empire healthy, the venture might bring more financial strife or another slate of activist investors. Deciding how to move forward was a strategic decision.

**COMPANY BACKGROUND**

Caesar’s Entertainment Inc. is the largest gaming corporation in the world. It operates fifty-five casinos in the United States in seventeen states (Caesars Entertainment, Inc., n.d.a).The company has long sought innovation in casino gaming, tourism, and hospitality. The casino giant seeks new ways to create value for investors and clientele. The organization's stated mission is to inspire grown-ups to play, and it is their inspiring family of team members who make this an exciting reality every day (Caesars Entertainment, Inc., n.d.a).Caesars seems to be looking for a new way to connect with the American adult and offer them compelling ways to enjoy gaming. Caesar's vision is to create memorable experiences, personalize rewards, and delight every guest, every team member, every time. The gaming empire continues to offer rewards to its clients regardless of where or how they enjoy Caesars’ services (Caesars Entertainment, Inc., n.d.a).

Caesars prides itself on its wide array of amenities, high-quality service, and popular destination locations. The organization boasts world-class dining establishments, popular entertainment, and shopping opportunities. Many Caesars properties also have high-class hotel and convention facilities (Caesars Entertainment, Inc., n.d.a).

 Technological changes in American society are forcing gaming organizations to consider new directions (MarketLine Industry Profile: Casinos & Gaming in United States, 2020). While traditional casino gaming and entertainment remains a popular option, the organization has sought new digital innovations that will help the firm contend with economic recession and the reduced social interaction that has come with pandemic protocols and generational changes based on internet and mobile communications (MarketLine Company Profile: Caesars Entertainment, Inc., 2021).  Caesars is primed to enter a new gaming industry sector that might stretch the American gaming giant throughout the world. The company has the client base, the money, and the properties to achieve this goal, but will the public buy into the new digital strategy (MarketLine Company Profile: Caesars Entertainment, Inc., 2021)?

**Foundations and Company Brands**

The Caesars organization started small; in 1937, Bill Harrah opened his first Bingo Hall in Reno, Nevada. The company grew up with the industry and, by 1973, was the first publicly traded gaming enterprise. Harrah's grew in strength as it merged with former competitors like Binion's Horseshoe and Caesar's Palace. Finally, in 2020, the company's most recent version took shape as Caesars and was purchased by Eldorado Resorts Inc. (Caesars Entertainment, Inc., n.d.b).

 Over the years, the leadership of the major casino companies that merged into Caesars created concepts that added value to their industry and ultimately gave Caesars the strengths it enjoys today. Harrah's provided the modern business model as a gaming corporation (Caesars Entertainment, Inc., n.d.b). This has allowed the casino industry to slowly extract itself from the archaic image of the industry as something connected to organized crime. The Binion casinos provided a great deal of the casino marketing tools that exist almost universally today (Caesars Entertainment, Inc., n.d.b). These include comps, promotions for budget gamblers, and high-limit gaming. Eldorado was known for its customer service and consistency in business. Caesars Palace is one of the most famous casinos globally (Caesars Entertainment, Inc., n.d.b). Its founder, Jay Sarno, created the glamor and pomp of ancient Rome, giving the corporation its name (Caesars Entertainment, Inc., n.d.b).

 Today, Caesars Entertainment Inc. owns twenty-eight gaming brands. Those with significant holdings include Caesars, Harrah’s, Horseshoe, and Bally’s (Caesars Entertainment, Inc., n.d.a) Caesar's Entertainment Inc. manages all the casino operations; however, the properties are held by Vici Properties, a real estate investment trust or REIT. This structure allows Caesars to avoid some taxation since much of the property is held in a trust. This reduces some tax expenses and enables the organization to pay down debt (Hals, 2015).

**Industry Outlook** The gaming industry consists of all entities focused on betting or gambling. This includes all activities within a casino, lotteries, sports betting, and some games like bingo that do not generally occur in casinos or gambling halls. Caesars operates in the casino and sports betting segments so the focus will be on these market sectors (MarketLine Industry Profile: Casinos & Gaming in United States, 2020).
 The U.S. Casino market has had sporadic growth recently. Efforts to expand more organically have been complicated due to the COVID-19 pandemic and the complexities associated with mergers and acquisitions. The severe economic downturn of 2008 profoundly affected the gambling industry; however, this is not the norm. Economic situations within the US tend to be minor issues within the gambling market (Indap, 2017). American gambling enterprises are permanently restricted by the regulations of individual states regarding gambling. While online casino-style gambling is illegal in most states in the United States, variants of online gambling can be performed, such as sports betting. American firms that want to expand internationally might find an online concept particularly helpful (MarketLine Industry Profile: Casinos & Gaming in United States, 2020).

 In 2019, the American gaming market brought in $156.1 billion in gross profit and grew by 2.2% (Hoover's Company Records, 2021). Gaming has continued to grow in the United States as several states adjusted regulations and policies restricting growth and gaming concepts. States continue to consider the nature of sports betting in their state after the United States Supreme Court declared the Professional and Amateur Sports Protection Act to violate the United States Constitution. The U.S. Supreme Court opened a new opportunity for gambling industry growth when it ruled that states can determine the legality of sports gambling in individual states (Lowe & Gilbert, 2020).

 In 2018, Caesars purchased British gambling firm William Hill Inc., an online sports gambling platform (Reuters, 2020). A Supreme Court ruling directly preceded this shift in strategy, which allowed states to legalize sports gambling. With the change in law, a dramatic round of lobbying took place in several states to eliminate the regulation of sports gambling (Nuckols, 2018). A new digital strategy was implemented with the expansion of legalized gambling. A digital transformation of gambling could help eliminate the cyclical nature of traditional tourism and reduce the overhead of conventional casino gambling (Liu et al., 2021). The newest strategy in the gaming industry provides products that aggregate all types of gamblers and create venues meant to attract new clientele (Liu et al., 2021). Casinos enjoy many buyers for their products. They also have an industry that has a high barrier to entry. However, there are different options in casino gambling, and because the activity is a leisure activity, there are a variety of alternatives available for consumers. Casino gamblers do not have strong brand loyalty to any gaming firm. They will likely ebb and flow to any that meets their intermittent interests (MarketLine Industry Profile: Casinos & Gaming in United States, 2020).

 While classic casino gaming, including table games like roulette, craps, or slot machines, remains popular, card games such as poker and Pai Gow continue to have a presence in casinos around the country (MarketLine Industry Profile: Casinos & Gaming in United States, 2020). Sports betting is also creating new opportunities for gaming enterprises. Once local, illegal bookmakers dominated a tiny portion of the gambling market, but the 2018 Supreme Court decision has made this a lucrative opportunity (Hoium, 2019). Sports betting revenues have grown dramatically with continued rapid expansion. A complimentary factor is that sports of all kinds receive greater exposure and broadcast (Bell, 2021).

 International sports such as soccer have become more popular and offer the American gambling industry an opportunity. American professional sports leagues and even individual collegiate teams have embraced sports betting. The phenomenon of sports leagues that had previously held a negative view of gambling suddenly endorsing the concept has created a sort of halo effect around sports gambling for the public (Wertheim, 2021). Customers who may have at one time looked at gambling on sport as unsavory now review it as a harmless vice. Sports betting has become a mobile-based activity and offers a product that gaming companies can offer remotely to appeal to the customer base that prefers to isolate for health reasons, disinterest in traditional casinos, or simply gaming preferences. Mobile gambling also offers a product for those geographically removed from conventional gaming sources (Brainerd, n.d.).

**SWOT and Performance Measures**

The following SWOT elements were derived from the Caesars Entertainment Corporation SWOT Analysis (2019) and the Strategic Management Department (n.d.) at Fern Fort University.

*Strengths*

1. Caesars and its appendant brands enjoy a strong presence throughout the United States. The company operates over fifty casinos in a variety of popular destinations.
2. The company has a diversified stable of properties, including many gaming opportunities and entertainment interests.
3. Caesar's properties include hotels with over 40,000 rooms available. Meeting and convention facilities are also available.
4. Financial performance is also a key strength, as shareholders have enjoyed above-average returns. Over the past five years, Caesars (CZR) stock has grown by 829.39%. Since the merger, the company has focused on improving performance and managing costs.
5. Caesars has reduced its debt load and continues to sell off non-performing or inefficient properties.
6. The new company wisely retained the Caesars moniker, perhaps the most well-known gambling brand in the United States.

*Weaknesses*

1. Caesar's current ratio tends to be lower than competitors in the segment. However, it has dramatically improved since the merger, moving from an average of 1.105 for the previous five years to 2.579 in 2020.
2. As with most customer service and hospitality positions, Caesars often suffer from high employee turnover rates.
3. The firm has not focused as much on Research and Development in the recent past, which means it tends to lag behind its competition on new developments.

*Opportunities* As the United States continues to emerge from the pandemic and customer income improves, historical trends suggest gaming entertainment revenues will increase concurrently.

1. New states are adjusting gambling rules which opens opportunities for Caesars to open up territory and venues via new development or acquisition.
2. New states are open to sports betting, which opens up more significant opportunities to the Caesar's Sportsbook Mobile applications; this opportunity is independent of the creation of a physical location in a given market because the sportsbook app is mobile and internet-based.
3. The traditional casino market continues to grow. Caesars also intends to develop non-gaming hotels and resorts in anticipation of regulatory changes in new states.

*Threats*

1. Gaming is a regulated industry in the United States. Caesars must abide by regulatory requirements and state laws governing gambling. Caesars must be vigilant in their lobby in all jurisdictions as stakeholders in each market could prove to be capricious.
2. Economic downturns are always a consideration for Caesars. The nature of the American economy has previously caused turmoil in the company. A recession often reduces disposable income for Americans, reducing their expenditures on leisure activities.
3. Caesars does face competition within the gaming industry. However, Caesars is the largest in the world. Smaller competitors are often more agile and can pool resources to approach new opportunities. Internationally, online gaming has a strong following, reducing foot traffic in casinos.
4. Gambling is a leisure activity, and this type of activity has numerous substitutes. A substitute that gains traction within the market can hurt the revenue and profitability of gambling ventures.

 Caesars has enjoyed economic success since the 2020 merger. Growth has shadowed the Dow Jones gambling index and outpaced the S&P 500 stock index (See Figure 1).

**FIGURE1
 CAESARS PERFORMANCE VS. US STOCK MARKET INDICES **

(Caesars Entertainment Corporation SWOT Analysis, 2019).

Caesars has enjoyed strong revenue growth over the past five years, and from 2019-2020 revenue increased by 27.3% (Macrotrends, n.d.). Net income was reduced based on several factors. Among these are the gaming company's focus on extinguishing debt and costs of the merger, including contract and license terminations, severance pay for exiting workers, and other miscellaneous fees (Caesars Entertainment Corporation SWOT Analysis, 2019) (See Table 1).

**TABLE 1
 CAESARS’ INCOME STATEMENT ITEMS 2016-20**

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** |  **Revenue ($m)** |  **Net Income ($m)** |  **Net Profit Margin** |
| Dec-20 | 3,474.00 | -1,757.00 | -50.58% |
| Dec-19 | 2,528.00 | 81 | 3.20% |
| Dec-18 | 2,056.00 | 95 | 4.62% |
| Dec-17 | 1,480.80 | 73.38 | 4.96% |
| Dec-16 | 900.47 | 24.53 | 2.72% |

(Macrotrends, n.d.).

**Major Competitors** Caesars Entertainment Inc. is the largest gaming company globally; however, it is certainly not the only operator of its kind. The firm faces challenges from several significant competitors.

*The Las Vegas Sands Corporation*

The Sands has the highest revenue of any casino company globally. Most of their properties are in Asia, and the company invests heavily in online gambling. In 2019, and years prior, their revenue was close to $14 billion annually (CompaniesMarketCap.com, n.d.; Las Vegas Sands | World-Class Integrated Resorts, 2021).

*MGM Resorts International*

 MGM also enjoys more substantial revenue than Caesars Entertainment. Like Las Vegas Sands Corporation, MGM has several American-based brick-and-mortar casinos but has a heavy international investment. Investments include a stake in the Dubai World projects and several Asian properties. MGM is also aggressively pursuing online sports betting opportunities with their MGMBets mobile application. MGM has seriously pursued strategic partnerships with individual professional teams and sporting venues to promote their gaming app, securing more of these gambling partnerships with professional sports leagues than their competitors. Additionally, MGM is under agreement with national restaurant chain Buffalo Wild Wings to promote the MGMBets app on their television and entertainment screens during guest experiences.
 MGM has successfully created non-Casino properties and resorts included in its holdings. It should be noted that MGM is allowing its property management company, MGM Growth properties, to be purchased by Caesars REIT Vici Properties for $17.2 billion, with finalized plans to be completed in early 2022. There are rumors that Caesars and MGM may soon merge (CompaniesMarketCap.com, n.d.;Resorts, Casinos, & Shows Worldwide - MGM Resorts, n.d.).

*Genting Group*

Genting is a Malaysian casino and resort firm. Most of their holdings are in various locations in Asia and the United Kingdom. Genting has also provided financing for several other American properties. Genting also manages several non-gaming properties and heavy involvement in industries completely removed from gaming and hospitality (CompaniesMarketCap.com, n.d.; Genting Group - Malaysia Leading Corporation, n.d.).

*Wynn Resorts*Wynn resorts operate fewer casinos but generate a higher revenue than Caesars. Wynn is focused primarily on brick-and-mortar casinos in the U.S., with a couple of properties located on the Chinese gaming island of Macau.

 Several other competitors are involved in various types of gaming operations. This includes competitors with strictly online activities such as Flutter, Evolution, and Bet365. However, the companies listed here are most closely related to the current activities of Caesars Entertainment Inc. (CompaniesMarketCap.com, n.d.; Wynn Resorts - Investor Relations, n.d.).

**Strategy: Traditional or Electronic Gaming**

Legal casino gaming has existed in the United States since at least the 1930s, with explosive growth beginning in the late 1940s and continuing into contemporary times (Stutz, n.d.). Previous development was limited to select cities in the United States like Las Vegas, NV, and Atlantic City, NJ, but in more contemporary times has included various areas of the United States, including Iowa and Louisiana (MarketLine Industry Profile: Casinos & Gaming in the United States, 2020). Many of the major competitors for Caesars primarily operate traditional brick-and-mortar resorts. Wynn Resorts and Caesars Entertainment Inc. have similar revenue results; however, Wynn operates just six global casinos compared to over fifty for Caesars (Wynn Resorts - Investor Relations, n.d.).

 The American gaming sector is projected to lose 42% of its value over the next few years compared with Asian casino revenue growth of 1.5% annually. The island of Macau in China has a gambling and hospitality economy that is seven times larger than Las Vegas and brings in over $30 billion annually in gaming revenues (MarketLine Industry Profile: Casinos & Gaming in Global, 2020). Other famous gambling operations internationally include Great Britain, Singapore, the Bahamas, and Monte Carlo. This does not include many less well-known gambling locations with good development potential; locations like Chile and other South American countries could be opportunities for casino developers (MarketLine Industry Profile: Casinos & Gaming in United States, 2020; MarketLine Industry Profile: Casinos & Gaming in Asia-Pacific, 2020; MarketLine Industry Profile: Casinos & Gaming in Global, 2020).

**Online Gambling**

Online gaming is set to increase by over 48% by 2023 and claim nearly $85 billion with 48% of the revenue in this industry sector derived from sports betting. Over half of that revenue comes from Europe (MarketLine Industry Profile: Online Gambling in Global, 2019). The growth of online gaming shows that the value of the traditional casino market in the United States is set to fall at almost the same rate that online gaming is set to rise (MarketLine Industry Profile: Online Gambling in Global, 2019; MarketLine Industry Profile: Online Gambling in the United States, 2020). Currently, sports betting in the United States is set to top six billion dollars annually, based on the twenty states that have laws on the books that have deregulated sports gambling. If all fifty states agree to legalize the activity, revenue will balloon to $19 billion (Bell, 2021).

 American sports media seems entirely behind the new efforts to promote online gaming. Popular sports media personalities are currently promoting various gambling products. As recently as 2017, the NFL clashed with Tony Romo and a company he partially owned over a fantasy football event (Heitner, 2015). It was said that this issue was about gambling or the image of gambling in the NFL. In 2020, the NFL allowed the Oakland Raiders to relocate to Las Vegas, where the state of Nevada and casino companies helped the team build a 2-billion-dollar stadium (Rosenthal, 2017; Lowe & Gilbert, 2020). Almost immediately after the stadium opened, major gaming companies went on a frontal attack to sign up venues and teams as official partners. This effort is not restricted to the NFL; the process is happening at the collegiate level in football, the NBA, and the NHL as well (Bell, 2021).

 The strategy also calls for new strategic agreements and initiatives. Caesars entered into a 2021 agreement with the NFL, whereby the NFL will allow Caesar’s to use NFL assets like logos and other trademarks in their marketing (NFL, 2021). Previous ambivalence to sports gambling from professional sports leagues may be partly due to prior connections to organized crime. The embrace of these same leagues to the new gaming industry strategy seems to be shifting toward the idea that gambling is a harmless vice and, therefore, more socially acceptable (Bell, 2021). The system has been successful as 45% of all sports gambling is now through mobile applications. What is certain is that gambling has expanded dramatically throughout the United States; traditional gaming and Caesar's new digital model have quickly amassed a sports betting empire of 21% market share (Garcia, 2021).

 The costs to set up digital networks are considerably less than the price of setting up traditional casinos, providing upkeep, and paying for the constant lobbying that needs to be performed to keep casinos running without government constraint—an online casino software package with set-up costs between 250 and 300 thousand dollars. Marketing and customer acquisition costs could run five times as much and not approach the cost of building even the most basic brick-and-mortar casino (CasinoUSA, 2022).

**Caesars Entertainment Inc.’s Data-driven Decision Making**

 Harrah’s, the company name that formerly headlined the corporation now known as Caesar’s, developed the first loyalty player card that could be used throughout all Harrah's properties and brands. This helped the organization identify several best practices by tracking millions of casino-based transactions. This allowed the information technology programs to gather voluminous amounts of data about Harrah's customers (Loveman, 2003). Harrah's not only kept track of customer names and contact information but also recorded what people spent their money on, such as food, drinks, gaming, and when they spent. The program even tracked the types of gambling the customers chose to partake in (Loveman, 2003).
 Harrah's used methods from retail organizations to consider same-store sales and lifetime value of customers to consider how they should market to their client base. This was important because Harrah's was one of the first players in developing emerging value gambling markets like other major gambling destinations such as Las Vegas, NV, or Atlantic City, NJ. Because they were entering into the casino business in untested markets, communication with clientele had to be efficient and cost-effective (Loveman, 2003).
 Harrah's entered an aggressive practice of mining this data to maximize its customer service practices. Harrah's learned the behaviors of their different tiers of customers and understood their demands through the data from the loyalty program. The data identified that their expense on customer service was the right move. These efforts inspired the entire American casino industry to use similar loyalty programs to derive similar data (Loveman, 2003).

 The use of data-driven decision-making and digital processes for information gathering continued after Harrah's was purchased and the company took the Caesar’s name. Under Harrah's, the company developed its use of data-driven decision-making. As it grew and became more complex, every aspect of the Caesars organization used business intelligence and analytics to create decisions (Phillips & Peak, 2015). The interest was to become a digitally driven company that was a leader in business technology within the company. This meant investments in technology architecture, cutting-edge business technology, and an I.T. operating model that spread to the entire organization (Heller, 2018).

 Since the days of Harrah’s, the use of data at Caesars has intensified. Analysts provide reports to all decision-makers at the company, from buffet managers to the CEO. When managers understand the labor market and have good information to forecast needs, they can make better decisions that maximize gains and make their departments efficient (Phillips & Peak, 2015). The organizational commitment to data has led them to create data at all service points, from when a customer walks in the door to what they eat at the restaurant to how much they bet and how long they play on a specific slot machine (Phillips & Peak, 2015). The organization believes superior technology and data collection help capitalize on new business opportunities and improve the customer experience (Heller, 2018). In turn, the decision-makers who use the data also recognize the value. Their interest in receiving it regularly has made data-driven decision-making a part of the Caesars culture. Department managers often dictate specifications and interest in the information they receive and how often they receive it (Phillips & Peak, 2015).

 The feedback loop is one of the more critical aspects of management. Because Caesars uses business information and analytics, this feedback loop is shortened. Caesars would like to be more data-driven but faces regulatory requirements that force them to lobby and create methods that meet them. This, itself takes time and money to produce. These activities have blessed the company with vital human resources. The company even uses data-driven methods to identify the best places to employ people and the jobs they are best suited for (Phillips & Peak, 2015). To accomplish this, Caesars created a cloud-based platform for human capital management which helped the company connect with employees regardless of location (Heller, 2018).

 The recognition of data as crucial to business and a recognition of changing interests from gamblers helped Caesars decide to purchase the British gambling company William Hill Inc. William Hill has its analytics measures and a trove of data on different types of gamblers (Villanueva, 2020). The trend toward digital gaming is forcing traditional gambling companies to forecast more heavily on how their industry will change in the coming years. Purchasing William Hill Inc. and its digital platform will assist Caesars in entering the new digital landscape. The challenge may be to reposition the various traditional casino properties that Caesars now owns. The Caesars data-driven decision-making describes a company that recognizes how quickly trends are happening in very short timeframes. While the casino giant has implemented digital data mining and data analysis processes throughout its system, it must also consider future scenarios and, perhaps most importantly, react to the needs and interests of the client (Villanueva, 2020).
 A nod to recognizing changing tastes in gambling is Caesar's launch of a new brand and casino called Linq Hotel & Casino. The concept includes a new sportsbook concept, recognizing the rise of sports betting whereby gamblers can watch, socialize and gamble simultaneously. These innovative efforts are part of the change whereby the CIO of the Caesars organization shows a dedication by the firm from a "keep the lights on" organization they were before the bankruptcy to a "drives the business" organization (Heller, 2018). The devotion to new technology and leaving traditional forecasting in the past allowed Caesars to create a common platform with a secure web-based system available worldwide. This allows the firm to proliferate and pivot the business based on the captured data (Heller, 2018). New technological advances, including 5G internet speeds, have created new opportunities for the gambling industry. Data analytics are already heavily used to make management decisions. This will also open up new gambling products like internet-based gambling (Lowe & Gilbert, 2020).

**Caesars Legal Compliance and Government Lobby**

Gambling has long been a regulated industry in the United States. While many locales throughout the United States allowed the traditional casino industry to expand and flourish, a 2018 United States Supreme Court decision proved to be a catalyst for the rapid expansion of sports betting in the United States (Lowe & Gilbert, 2020). Before the ruling, the Bradley Act was a federal regulation that allowed a small group of U.S. states to hold an advantage over all the other states in the United States in the market segment of sports betting because it made it illegal for states to act in any way in support of sports betting. The court action to strike down the Bradley Act eliminated this obstacle (Lowe & Gilbert, 2020).

 The Bradley Act was initially passed in 1992 after a period of gambling-related scandals that created a negative opinion of gambling for many Americans and its effect on sports. This law was considered by many to be an anachronism that was incapable of handling the gambling interests and technology of the modern day (Lowe & Gilbert, 2020). By the time the case was tried, forty-seven states had allowed varied types of gambling, both online and some sports-related concepts. In the end, the law was inadequate to meet the needs of modern society, especially since the demand for online gambling was already burgeoning (Lowe & Gilbert, 2020)

 The effort to overturn the Bradley act was led by an industry lobbying group, Interactive Media Entertainment & Gambling. When it made its way to the Supreme Court, the Bradley Act was overturned on a 6-3 vote. The basis for this was that the act abridged the right of a state to govern itself (Lowe & Gilbert, 2020). The economic impacts of gambling were known, and when the states filed suit to end the Bradley act, they were struggling with cash shortages brought about by the effects of the "Great Recession" in 2008 (Lowe & Gilbert, 2020). Studies on the impact of gambling and public perception of the industry showed that 49% of Americans viewed the sector favorably, noting the contributions to the economy provided by gambling. Aside from the general economic benefit, gambling contributes over $40 billion to federal, state, and local budgets and creates nearly 2 million jobs in the United States (Lowe & Gilbert, 2020).

 Another consideration behind the sudden support offered to the gambling industry by professional sports leagues is their potential to earn more money based on the ruling and the interest of the American public in sports gambling. Studies indicate that these leagues stand to make over $4 billion on sports gambling (Lowe & Gilbert, 2020). This does not include the nearly $600 million in increased advertising, which Caesars Entertainment Inc. has already contributed to promoting the Caesars Sportsbook app. A year after the 2018 ruling, 38 million bets were made on NFL games (Lowe & Gilbert, 2020). It is important to note that total gains from the change in regulation are not realized yet because there are still many bets being performed by illegal bookmaking activities. (Lowe & Gilbert, 2020).

 With the change in federal law, the casino lobby in various states went to work getting sports betting rules changed to meet the new legal realities. In Indiana, the president of the Indiana Casino Association and various state senators expressed excitement over the opportunity to develop the business and regulate and tax a previously illegal business. Legal experts and regular citizens openly called for the legislature to change laws to open the state for sports betting as it had for lotteries, racetracks, casinos, and other gambling concepts before the most recent development (Zambrano, 2020). Opportunities in various states mean eternal vigilance for the casino lobby. The same year that the Bradley Act was being repealed, the same legislature that cheered the decision as an opportunity to make more revenue worked to extract money from Caesars for fees on properties they were purchasing in the state (Erdody, 2018). Some states welcome the new opportunities and wage hardball to extract revenue to the state coffers; other states like Illinois have considered abolishing gambling to stimulate the economy. The idea is that if people were not gambling, they would spend the money on more critical needs. Kindt expresses that, “Gambling lobbyists are looking to leverage the COVID pandemic and the public’s natural affinity for sports into real-time 24/7 gambling on cell phones and throughout video games” (Kindt, 2021, p. 1773).

 While it is unlikely that a complete ban on gambling will happen throughout the United States. The concept of reintroducing sports betting as illegal is not entirely without merit. The capricious attitudes of Americans allowed congress to pass the Bradley act in the beginning based on the public's concern that the process was perverting the nature of professional and college sports. The act was declared unconstitutional because it limited some states while others continued (Lowe & Gilbert, 2020). Thus, it is possible that the law could be rewritten to alleviate judicial concerns about the activity and again make it an illegal action.

 The modern advent of sports betting has manifested itself as an online gambling enterprise, an activity dramatically hindered by the passage of the Unlawful Internet Gambling Enforcement Act of 2006, a law that prohibits gambling businesses from accepting payments for online gambling wagers. The law made it impossible for banks and financial institutions to process payments for online casinos and other gambling products (Halcoussis, & Lowenberg, 2015). The prohibition went so far as an indictment as the U.S. Attorney General for Southern Manhattan indicted large online gambling operators on bank fraud, money laundering, and violation of the UIGEA. American casinos ceased partnerships with these operators and set out to continue to lobby for online operations in the legislatures of the United States. Even though millions have been sunk into building new Casinos or refurbishing dated properties, it is evident that the Casino industry is devoted to the idea of online gambling (Halcoussis, & Lowenberg, 2015).

 The industry's lobbying efforts not only concern legalizing the prohibition of gambling and the appendant products created by industry partners, but also concerns taxation. An example is American Gaming Association's efforts to change federal tax policy regarding taxation (American Gaming Association, 2021). The lobbying group seeks changes in tax policy to expand the gambling industry specifically including the elimination of excise taxes regarding sports betting enacted in the 1950s (American Gaming Association, 2021).

**Ethics of Caesars and the Gambling Industry**

 In the United States, sports gambling was considered an inherent threat only thirty years ago, an activity that needed to be regulated out of business save for a few American locations that had been historically open for vice (Lowe & Gilbert, 2020). Wagering in sports does have potential adverse outcomes. Those partaking in the activity can lose money, leading to economic hardships and addiction (Fortunato, 2020). These issues have not changed. However, the way they have been presented to the public in recent years has changed (Fortunato, 2020).

 The Bradley Act was passed in 1992 after many gambling-related scandals plagued sports, including the revelation that Pete Rose had bet on professional baseball as the manager of a Major League Baseball team, the Cincinnati Reds. Popular and academic media argued against the legalization of sports betting (Udovicic, 1998; Reed, 1991). The modern press has revisited the argument, changed course, and mainly presents the activity as fun, socially acceptable, and harmless. The nature of public partnerships with professional sports leagues, which had long decried or lamented the practice of sports gambling, seems to be dedicated to further allaying concerns that gambling is something even to be ambivalent about (Lowe & Gilbert, 2020). An example of this is a past quote from Roger Goodell, Commissioner of the National Football League, who stated that sports betting "threatens to damage irreparably the integrity of, and the public confidence in, NFL football" (Fortunato, 2020).

 The sports media has reframed their coverage to promote gambling and provide information for gambling strategies, all as a process to make gambling seem less like a vice and more like a hobby in which risks might be mitigated (Fortunato, 2020). This programming rarely considers the negative aspects and only offers the television equivalent of boilerplate warnings (Fortunato, 2020). Researchers have described responsible gaming as those seeking to avoid ignoring or embellishing the problems or perceived benefits of gambling. Studies describe marketing that promotes dubious ideas gamblers often hold about odds and luck or gambling beyond economic means as unethical practices (Gray et al., 2021).

 While the rise of sports betting and the proliferation of all types of gambling have ethical challenges, there have also been what can be considered benefits derived from the practice. Researchers (Fullerton et al., 2020) have described fourteen different beneficiaries, which essentially encompasses the entire gamut of direct and peripheral stakeholders. While it is true that some consumers may face negative consequences of the new gambling opportunities, it is also true that sports gambling was previously ubiquitous even in its illegality.

 Beneficiaries can be grouped into four categories: sports entities, traditional sources of sports revenue, the gaming industry, and other non-sports entities. All the major sports leagues are set to reap great rewards for accepting sports betting progress after decades of opposition. The fiduciary benefit will most likely affect NCAA sports as gambling encompasses those games. While gambling concerns will undoubtedly benefit, it was expressed by Fullerton et al. (2020) that Native American tribes engaged in gaming might also be substantial beneficiaries of the innovations in gambling.

 Another attractive benefactor from the rise of sports betting may be female athletes. Researchers have proposed that female athletes who have notoriously suffered from wage disparities with their male counterparts may be able to reduce that gap through sports gambling (Feldman, 2020). By leveraging the right of publicity on sports betting apps and accompanying marketing, female athletes could demand money for their likeness and name to be used in the gambling companies’ efforts to make money from taking wagers on games and events (Feldman, 2020).

**QUESTIONS FOR FURTHER CONSIDERATION**

1. How should Caesars adjust its asset-heavy business model given the growth of online and sports betting?
2. Despite stagnant growth, should Caesars continue to add and develop properties?
3. What additional opportunities can Caesars glean from their data mining opportunities?
4. With the forecast of the gaming industry moving away from physical properties and with the proliferation of competitors in the digital sportsbook marketspace, what do you feel is a good strategy for Caesars to maintain a competitive advantage?
5. What marketing strategies would best differentiate Caesars from the multitudes of other fungible options in the sports betting markets?

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