

The Importance of Fine-Tuned Forecasting Models

by Stephanie Adkison

A feasibility study is an investment in itself; as such, it is crucial to engage a consulting firm that has proven accuracy within the industry. To offer consistently accurate forecasts, The Innovation Group continually monitors how closely our forecasts match actual results, to apply lessons learned and adjust modeling inputs. This process ensures that we investigate and learn from any discrepancies, updating our modeling to reflect each market's ebbs and flows. As a result, The Innovation Group's models are constantly improving, as we frequently track and take the opportunity to learn from these comparisons. The following table shows the results we have tracked over the past 15 years.

The Innovation Group Projection Accuracy by Market

Market	Year of Comparison	Actual (mil)	Projection (mil)	Variance
Foxwoods	2005	\$815	\$863	5.6%
Mohegan Sun	2005	\$869	\$860	1.0%
Foxwoods + Mohegan Sun	2005	\$1,684	\$1,723	2.3%
Argosy Lawrenceburg, IN	2004	\$439	\$416	5.5%
Prairie Meadows, IA	2002	\$149	\$145	2.5%
Prairie Meadows, IA	2005	\$164	\$160	2.6%
Quad Cities, IA	2003	\$215	\$215	0.0%
West Virginia	FY2005	\$895	\$942	5.0%
West Virginia	2002	\$658	\$682	3.6%
Natchez, MS	2004	\$36	\$38	4.1%
Shreveport-Bossier, LA	2004	\$836	\$838	0.3%
Shreveport-Bossier, LA	2005	\$814	\$852	4.4%
Lake Charles, LA	2004	\$462	\$501	7.9%
New Orleans, LA	2004	\$609	\$690	11.7%
Baton Rouge, LA	2004	\$189	\$220	14.2%
Delta Downs	2004	\$128	\$121	6.5%
Total St. Louis	2006	\$991	\$1,077	8.0%
Tunica Market	2006	\$1,167	\$1,306	10.7%
Atlantic City	2006	\$5,208	\$5,224	0.3%
Riverside, IA	FY08/2007	\$86	\$85	1.8%
Amelia Belle, LA	FY2008	\$53	\$48	9.4%
Central California	2009	\$84	\$71	15.4%
Chicago, IL: Impact of Des Plaines	2011-2012	\$1,142	\$1,132	0.9%
Pennsylvania Statewide Slot Analysis	2011	\$2,408	\$2,441	1.3%
Lyon Co, IA	2012	\$58	\$57	2.4%
Firekeepers, MI	FY2013	\$263	\$283	7.0%
Aqueduct Racetrack, NY	FY2013	\$741	\$729	1.6%
Twin River (RI) Table Games	2013 (Annualized)	\$79	\$73	7.6%
Laos Casino Resort	2011	\$74	\$80	8.9%
Complete Philippines Gaming Market	2013	\$2,200	\$2,110	4.1%

Note: These sample projects were selected based on consistent market conditions

One particular study that resulted in extremely accurate projections was an assessment created in 2009 to forecast the impact of introducing Rivers Casino Des Plaines on the neighboring Chicagoland casinos in Illinois and the state government's subsequent gaming tax revenue. As part of this project, we used our demand-driven gravity model in order to project the gaming revenue of the Chicago facilities before and after the introduction of Rivers Casino. When compared to actual revenue figures of the total Chicago market, The Innovation Group's projections were only 0.88% higher than the actual revenue of approximately \$1.1 billion.

This level of accuracy is not achieved by accident, as The Innovation Group is constantly conducting internal reviews to ensure our models reflect the most recent market and property-specific gaming trends. These reviews are based on client feedback and the comparison of our projections to actual revenue figures, which can aid in model improvement. Utilizing our proprietary demand-based models, we are able to project the amount of anticipated demand and subsequent revenue based on each market's population and tourism figures rather than using a supply-based model that may inaccurately assume that supply proportionally drives demand.

To date, The Innovation Group has worked in more than 80 countries and has been the leading gaming and hospitality consulting firm for the last 20 years. During this time, we have accumulated in-depth research and proprietary database information that we are able to incorporate into our studies. Additionally, we ensure that our information is up-to-date and accurate through our relationships with major gaming companies and through our regular attendance at key gaming conferences and seminars. As accuracy is a top priority, we understand the importance of vetting the details that influence our projections.