

Boston Hospitality Review

www.bu.edu/bhr

Published by the Boston University School of Hospitality Administration

The Future of the Gaming Industry: Challenges the Next Decade Holds for Casinos

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Winter 2020



With the 2010s decade in our rearview mirror, the gaming industry experienced considerable changes. This past decade the gaming industry experienced the cumulative effects of competition. To combat a more competitive environment, casinos have looked to technological advancements, more specifically data-mining capabilities and mobile gaming apps, in addition to greater investments in the non-traditional casino amenities have shifted the way the industry attracts patrons. Given the rapid changes within the gaming industry, what challenges will this upcoming decade hold for the gaming industry?

This past decade we saw the continued effects of competition on the casino industry. Competition came from not only from market saturation of direct competition due to the rapid expansion of legalized casino gambling across most jurisdictions, but indirect competition from other forms of gambling and entertainment. Other substitute forms of gambling competing with casinos include: sports betting, online betting apps, lotteries, and fantasy sports. As more consumers have easier access to substitute forms of gambling, casino patrons will increasingly turn to the more convenient gambling options available.

While convenience or proximity has typically been a large decision driver for casino patrons (Richards, 1997), the expansion of gambling options readily available at patrons' fingertips will bring even more focus on convenience in the upcoming decade. Furthermore, the younger generations (millennials and generation Z) value convenience greater than their older counterparts when choosing where to spend their dollars (Wood,

2013). As the younger generations increase their purchasing power and comprise a greater share of the overall gambling market, it will only exuberate the influence of convenience on casino operations in the upcoming decade.

Convenience will play a larger role in all casino markets. Even after the recent addition of the two newest casinos in Massachusetts, MGM Springfield and Encore Boston Harbor. The three Massachusetts casinos are 45 minutes to two hours' drive apart from one another. This is assuming limited to no traffic, which is not always the case with Boston and Springfield freeways. While brick and motor casinos have expanded and become more accessible, they are not always around the corner. As more convenient gambling options become increasingly available and better in terms of playability, casinos will need to figure out how to adapt to limit the potential loss of patrons.

Casinos in the latter half of the most recent decade started to turn to mobile gaming apps to reach convenience driven patrons. A quick search of gaming apps on the Google Play Store revealed half of the casinos in the New England market (Foxwoods, Mohegan Sun, Encore and Hollywood Casino in Bangor) have a mobile gaming app. One can expect more casinos coming out with mobile gaming apps in the upcoming decade. As the number of gambling apps increases, consumers will have even more options, thus diluting the share of the overall gambling market for brick and motor casinos. Additionally, casinos who introduce apps will have an increasingly difficult time differentiating their new app from the countless others available. Lastly, when casinos introduce mobile gaming apps to appeal to convenience driven patrons, they run the risk of cannibalizing loyal patrons already in their own databases. Casinos who are able to figure out how to best incorporate mobile gaming apps that augment their current gaming platform will come out ahead in the next decade.

On top of casinos needing to figure out how to attract inconvenience based patrons, gambling revenues generated at casinos are more reliant on how well the economy is doing (Legg, Tang & Kim, 2019). To further add to matters, the gaming industry bounced back slower out of the previous recession (the Great Recession of 2008) than other hospitality sectors. The past decade 2010s was the first decade in the history of the United States that did not experience a recession. With the timing since the last recession growing, more economists are sounding the alarm by saying we are overdue for a market correction. Which they note will likely occur in the upcoming decade. Furthermore, some market-experts have gone further by stating we can potentially expect a decade long stagnation of economic growth after a long economic boom period. Depending on which expert one believes, either scenario does not hold well for the casino industry in the next decade as the conditions will bring new challenges to an industry already under increased pressure.

If the recession predictions hold true, casinos will need to do more with less fiscally and become smarter in leveraging their databases. The past decade saw casinos leveraging technological improvements to increase their data-mining and collection capabilities. Casinos now collect more information on their patrons than almost any other industry. However, not all casinos are fully leveraging their systems' capabilities to improve

operational and marketing efficiencies. As the industry has relied exclusively on costly promotions to draw and retain patron loyalty, the effects of competition can easily degrade the return on investment if casinos do not adequately leverage the information in their databases. Furthermore, in an age of growing individualism, casinos can no longer rely on one-size-fits-all promotions (Legg & Hancer, 2019), but need to base costly promotions on what the data captured on their patrons' shows. Casinos who best incorporate their data-mining capabilities into their marketing platforms in the next decade will be more apt at succeeding in an increasingly challenging environment.

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Mark Legg, Ph.D. recently joined the faculty in the fall of 2019 at Boston University School of Hospitality Administration, bringing two decades of analytical industry experience. His educational background includes a mix of mathematics and hospitality management with a Ph.D. in Hospitality Administration from Oklahoma State University and Bachelors and Masters degrees in Mathematics from SUNY at Buffalo (UB). Mark has spent the past two decades building industry-leading analytical solutions within the hospitality industry while assisting organizations with wriggling out as much value out of their data as possible. His experiences include building out an industry-leading corporate analytics department for an international hospitality organization to directing database, direct marketing, and CRM departments for one of the world's largest casino resorts.