

# **Boston** Hospitality Review

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Published by the Boston University School of Hospitality Administration

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## **The Coronavirus and the US Casino Market**

By Dr. Mark Legg and Dr. Apostolos  
Ampountolas

Special Edition: COVID-19 Crisis



When one conjures up an image of their local casino, they picture gamblers being there all hours of the day and night. For the first time in recent history, most US casinos followed Macau properties by closing their doors in response to the coronavirus threat. Regional examples include Encore Boston Harbor and Foxwoods Resort Casino both closing for the first time in their histories since opening on June 23<sup>rd</sup>, 2019 and February 15<sup>th</sup>, 1992 respectively.

While casinos in Macau are starting to reopen their doors and test the waters, this is uncharted territory for US-based casinos. The Chief Procurement Officer at Foxwoods Resort Casino, Philip Minichino notes, “we may be looking at a new norm moving forward.” The question for casinos upon reopening in the near future is not if the US casino market will change, but what aspects of the market will shift in response to their sudden closures. For clues to how the consumers will shift their gambling habits in the US, we can look to how the market has shifted for Macau properties since reopening their doors last month.

After reopening their doors in February 2020, Macau casinos are seeing a significant drop-off in gross revenues. In fact, Bloomberg News has readjusted its yearly 2020 Macau casino revenues to decline by more than half (Hong, 2020). The drop can be expected as travel restrictions in a number of regions throughout Asia are still in effect while consumers will be slow to return to entertainment venues that hold larger crowds

such as casinos given the viral impact. Unfortunately, we can expect similar results for the US casino market once they are set to reopen.

Through the doom and gloom, there are a few bright spots for US casinos in a time of uncertainty. Since reopening their doors, Macau casinos are seeing VIP players or high-end table player segment less impacted than the mass segment (Yogonet Gaming News, 2020). As casinos are initiating social distancing measures and separation of seats on their gaming floor, VIP players who may receive preferential treatment are more used to playing in smaller groups. The impact or change to their behavior and play will be minimal.

Casinos that are able to cater to the higher-end player will recover faster than properties that cater to the local clientele. For example, one can potentially expect Encore Boston Harbor to recover faster given the Wynn's brand emphasis on investing in luxury amenity offerings that cater to VIP players (Quaintance, 2019). In anticipation of this impact, even though most US casinos are currently shut down, it is advisable to ramp up their player development departments while being in regular contact with their VIP players. US casinos who play their cards right with VIP players during the shut-down may be able to acquire a larger share of the market from their competitors.

Another side effect from the viral impact is the quickening decline of the traditional casino goer of baby boomers and silent generation patrons. Compared to their younger counterparts, the traditional casino goer is more into playing slots than trying their hands at the tables (American Gaming Association, 2018). With the older generations being amongst the most vulnerable to the COVID-19 virus, we can expect a slower than usual return to normal activities given the prolonged incubation and contractible periods of the coronavirus. The sudden impact and closures from the virus will only prolong consumers' fears which will lead to diminished slot revenues for US casinos moving forward. This does not bode well for regional properties who have come to rely on the traditional casino goers. Out of the 5 Massachusetts and Rhode Island casinos, all but one (Encore Boston Harbor) has historically taken in a more slot revenue than table revenue (Massachusetts Gaming Commission, 2020; Rhode Island Lottery, 2020).

With summer coming around the corner and the younger demographic being cooped up in response to the virus, casinos should look to increasing their investments towards live entertainment and activities that draw the millennials and generation Z players. Casinos who have online gaming apps can start building momentum on this strategy by rewarding their online players with promotional discounts to tickets for summer concerts. Even though this strategy may not generate enough slot revenue to make up for the loss of the traditional casino goer, with the traditional player on their way out in the next few decades, this introduces an opportunity for casinos to look to the future and cultivate relationships with the next generation of casino patrons.

To help ease the lingering fears of their patrons, US-based casinos should look at how to incorporate social distancing into their gaming floors. This may mean a drastic departure from the industry norms with the removal of rows of slot banks or spreading

out of slot machines. The same applies to tables, which may mean fewer available seats per table. Casinos that have fewer seats per square foot will be better positioned at attracting back their patrons. To bring back the more vulnerable demographic, regional US casinos should look to follow supermarkets in reserving select times or gaming floor space for the traditional casino goer.

Casinos may want to go one step further and look at the COVID-19 virus impact as an opportunity to test shifting their daily operations from a 24 / 7 operation, open 7 days a week to closing during slow periods. With the consumer expectations altered due to containment based shut-downs, mature casinos such as Foxwoods Resort Casino or Mohegan Sun with overabundance of capacity due to increased competition may not get another chance to test moving away from a 24 / 7 / 7 hours of operation without upsetting their patron base.

The US casino market will struggle in the interim and there are no two ways around it. However, casinos in the US market can look to positives from their Macau counterparts and take note at adjusting their operations to the changing market conditions. By doing so, casinos who are better equipped at adapting will mitigate their losses and get back on solid footings sooner.

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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.



**Apostolos Ampountolas, Ph.D.,** joined the faculty at Boston University School of Hospitality Administration after many accomplished years of teaching, research, and working for international hotels and travel companies. Prior to joining academia, he enjoyed a 20-year successful international career in travel, tourism, and hospitality, as well as providing consulting services to the industry sector. He supported hospitality firms, including Tui Hellas S.A., Plotin S.A (Thomas Cook AG), Zeus S.A. (Thomas Cook AG), and Kuoni/GTA throughout Europe, specializing in pricing optimization models and revenue performance. His research focuses on hospitality finance, including revenue management, pricing strategies, forecasting models, and financial analysis of hotel evaluations. He is an active member of the Association of Accountants and Financial Professionals in Business (IMA), the International Institute of Forecasters (IIF) and INFORMS Revenue Management and Pricing Section.