
Consumer Behavior in the Gaming Industry

December 2014

An Executive Summary Prepared by:



THE INNOVATION GROUP ©

400 N. Peters St., Suite 206

New Orleans, LA 70130

7852 South Elati Street, Suite 100

Littleton, CO 80120

222 W. Comstock Ave., Suite 115

Winter Park, FL 32789

Consumer Behavior in the Gaming Industry

Table of Contents

INTRODUCTION.....	2
THE GREAT RECESSION.....	3
VISITATION	3
FREQUENCY	4
SPENDING & BUDGETS.....	5
FUTURE INSIGHTS.....	8
OTHER TRENDS.....	10
AMENITIES	10
CONCLUSIONS	11

INTRODUCTION

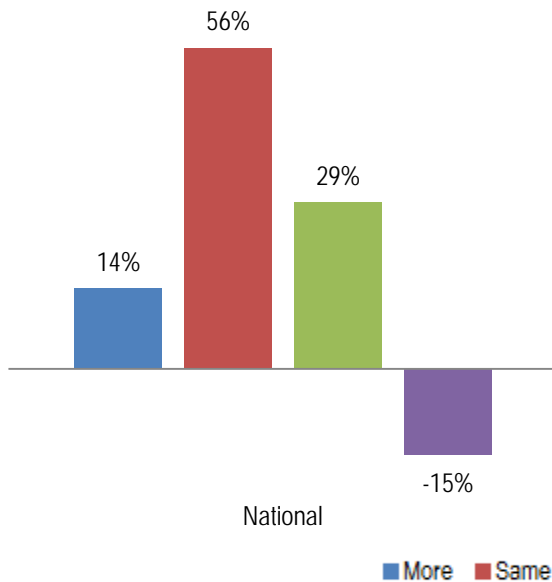
The Innovation Group conducted a national survey of gaming consumers to assess and compare trends, preferences, and impacts of the recession and gaming expansion against the findings of our 2004 “Profile of the American Gamblers” publication. We conducted an online survey that targeted 1,260 “active casino gamblers” throughout the U.S. so that national findings and demographic comparisons could be made with an acceptable level of statistical reliability. The generations were broken down into four groups: Millennials, GenX, Baby Boomers, and Matures. In order to assess national and generational differences, we utilized net difference, which refers to the difference between gamers who reported making more trips versus those that reported making fewer trips.

THE GREAT RECESSION

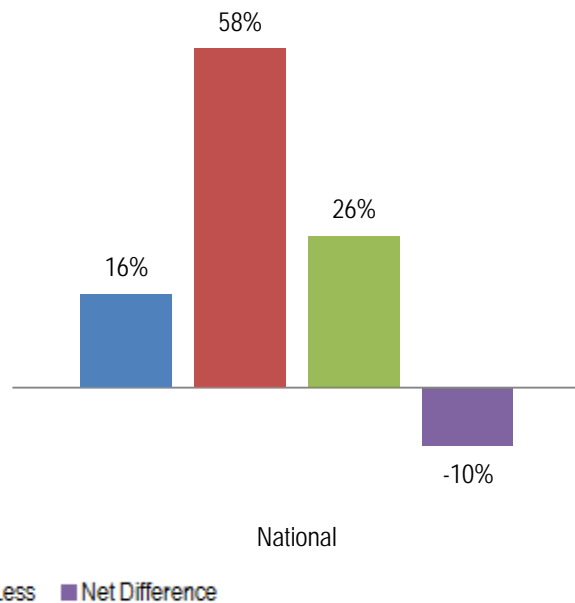
Visitation

The impacts of the Great Recession were amongst the most notable observations throughout the survey. We asked respondents how their visitation had changed in the five years following the recession compared to the five years preceding the recession. More specifically, if total number overnight and same day trips were greater, the same, or less than before the downturn. What we discovered was that in both cases there was a negative net difference in the number of gaming trips to casinos, though slightly more for overnight gaming trips, likely due to the additional cost of overnight stays.

Overnight Gaming Trip Visitation Since Economic Downturn

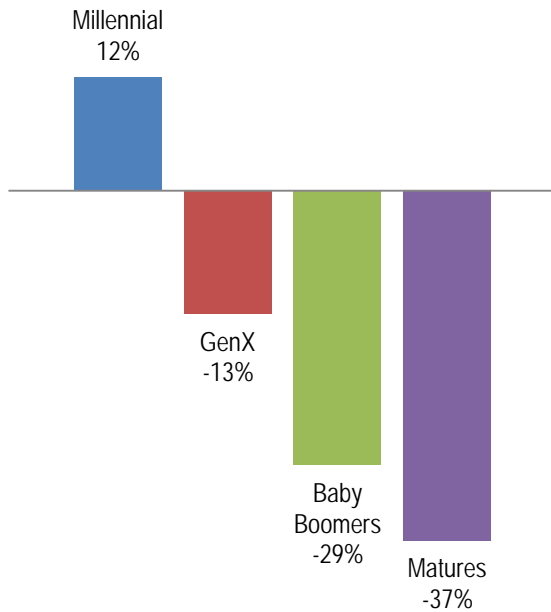


Day Trip Visitation Since Economic Downturn



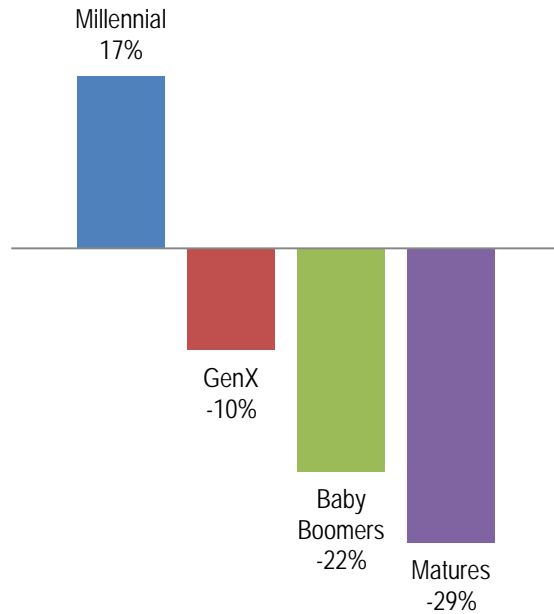
The impact since the economic downturn on gaming trip visitation was also analyzed by generation. Not surprisingly, older generations were hit the hardest by the recession as they were the most likely candidates that had investments tied up in the housing markets, stock markets, etc. Overnight visits, where more money per trip is spent, were impacted greater than day visits. On the other hand, Millennials have increased gaming visits for overnight and day trips however this is more likely due to the fact that this generation was less likely to have been the gaming age during the recession.

Overnight Gaming Trip Visitation Since Economic Downturn



Net difference of those who indicated that they visited more versus those that visited less

Day Trip Visitation Since Economic Downturn

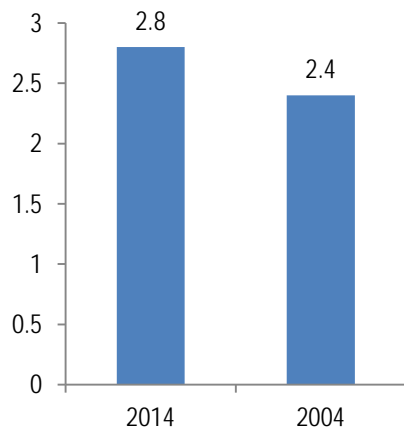


Net difference of those who indicated that they visited more versus those that visited less

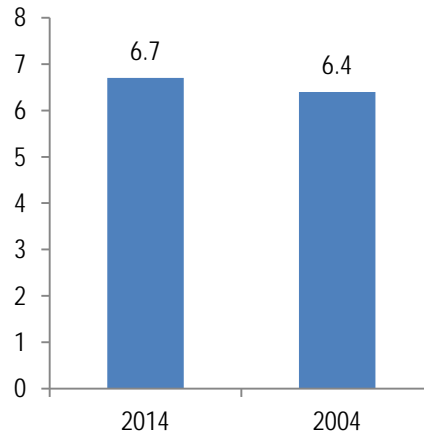
Frequency

The Innovation Group also assessed current frequency to the casinos. Total overnight and day casino trips have grown since the 2004 study, as revealed in the chart below. Overnight grew by 19% and day trips grew by 5% likely due to the expansion of gaming.

Overnight Casino Trips



Day Casino Trips



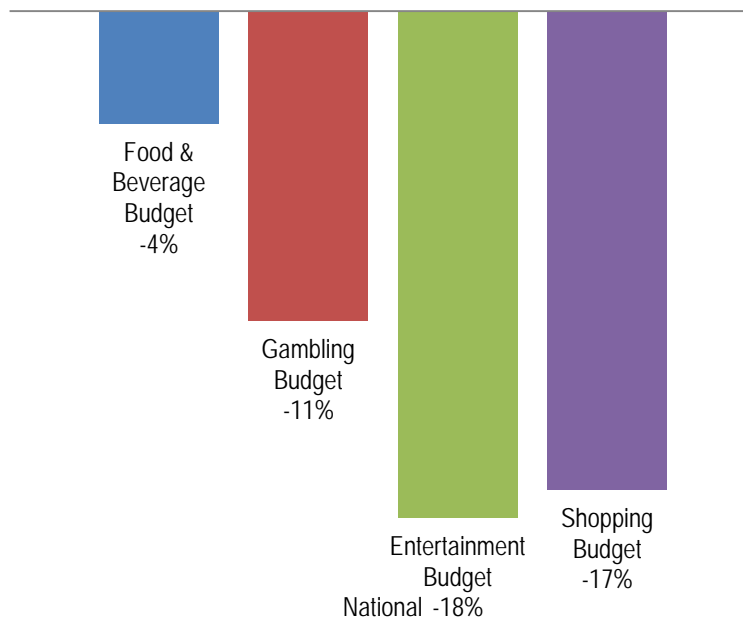
Trip frequency varies by significantly generation. Survey results revealed increased overnight trip frequency for the Millennial generation and decreased overnight trip frequency for older generations. While this might be encouraging for casino operators, additional research has revealed that the Millennials preferences differ significantly from other generations. For example, Millennial are far more interested in interactive experiences such as with table games, and less attracted to slot play compared to older gamblers. Table games typically do not bring in the same yield as slot play, and operate at a lower margin leading to net revenue declines. Additionally younger generations are also more interested in non-gaming amenities compared to older generations as will be discussed later in this document.

For day trip visitation, these trends reverse with older generations taking far more day trips compared to younger generations. In fact, older generations make 50% more day trips than younger generations; Millennials and GenX take an average of 5-6 day trips a year, while Baby Boomers and Matures take an average of 7-8.

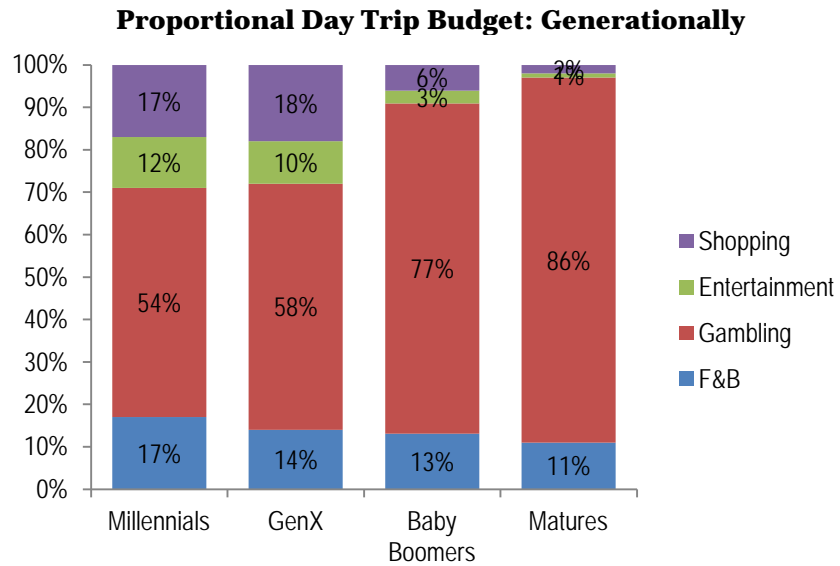
Spending & Budgets

Ultimately, respondents indicated that the recession had a much larger impact on trip budget. Recent research has indicated that in many cases, casino goers continued to visit the casinos for the entertainment value, but spent less per trip. Survey results found food and beverage had the least net difference in its budget, while entertainment and shopping had the largest negative net difference as seen in the chart below. Older generations follow the national trends; however, for Millennials these trends are exactly opposite. The biggest impacts for Millennials were on food and gambling, while the smallest impacts were on shopping and entertainment.

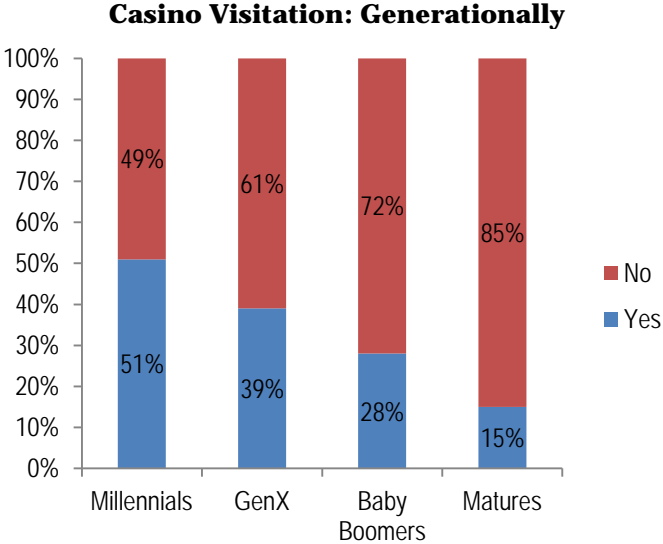
Net Difference Between Those Who Spent More vs. Those Who Spent Less Since Economic Downturn



While younger generations tended to have larger day trip budgets overall, what was far more interesting was the nuances between spending habits amongst generations. For example, the following chart reveals the proportional spend on gaming, food & beverage, retail and entertainment by generation. Proportionately, Millennials and GenX spent less than 60% of their day trip budget on gambling, while older generations spent over 75% of their day trip budget on gaming. Throughout the survey it was abundantly clear that the younger generations not only spend far more on non-gaming amenities than the older generations, but it was the non-gaming amenities that attracted them most to the casino.



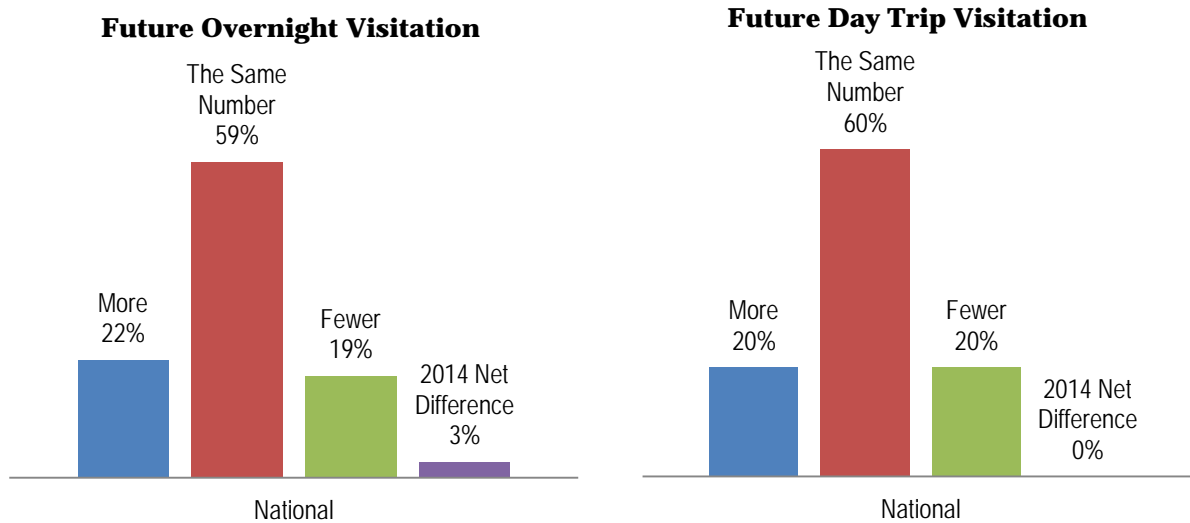
In order to have a better understanding of consumer behavior by generation, in the survey we asked participants if they had ever been to a casino where they did not gamble, but instead spent their money on non-gaming amenities. More than half of Millennials mentioned they had visited the casino and did not gamble, comparing to only 15% of Matures who made that same indication. This is important as the younger generations may be visiting the casino, but perhaps not for gaming purposes.



FUTURE INSIGHTS

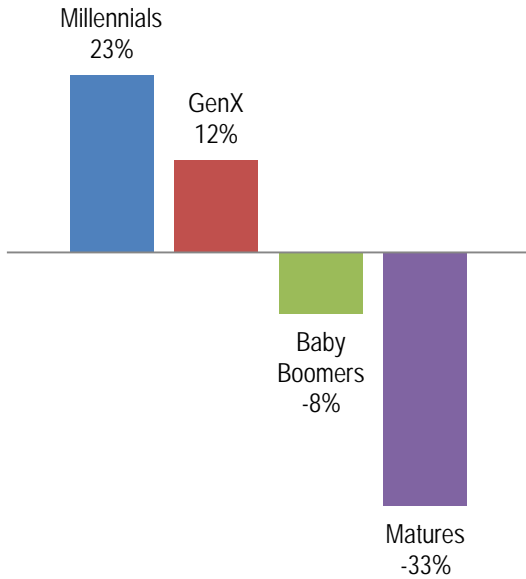
The survey also provides insights regarding the future outlook of gaming visitation. Respondents were asked whether they planned on making more, the same, or fewer overnight and day trips to the casino in the following five years. On a positive note, there was a positive net difference in overnight trips, while the future outlook for day trips was flat as seen in the following graphs.

By comparison, when asked the same question in 2004, the net difference in future overnight gambling trips in the 2004 study was negative 6 percentage points and the net difference in future day trips in the 2004 study was negative 9 percentage points, a likely result of the 2001 recession's impact on Real Median Income as well as other factors.



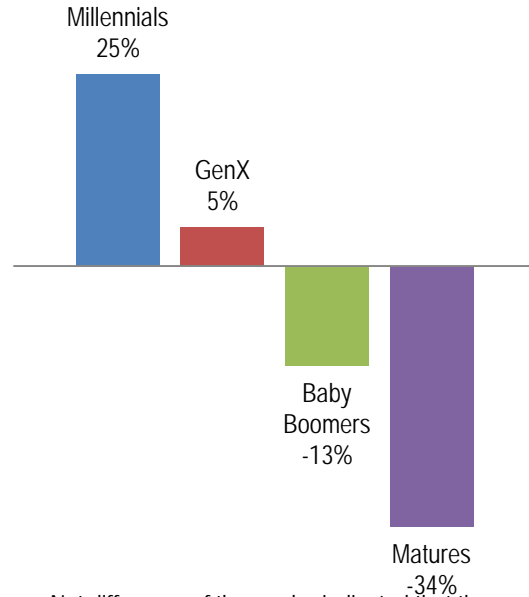
Generationally things are much different. Those generations 45 years and younger revealed growth in future visitation while older generations show declining visitation trends, as seen in the following graphs. It is likely this could be attributable to the economic risk involved, since older generations are more likely to have fixed incomes, depleted 401K's, and/or economic fears. Looking ahead, it will be vital to understand how to attract the younger gamers, in order to replace the aging gamers that are visiting less.

Overnight Trip Visitation Looking Forward



Net difference of those who indicated that they planned on making more overnight trips in the next five years compared to those that indicated they would be making fewer overnight trips

Day Trip Visitation Looking Forward

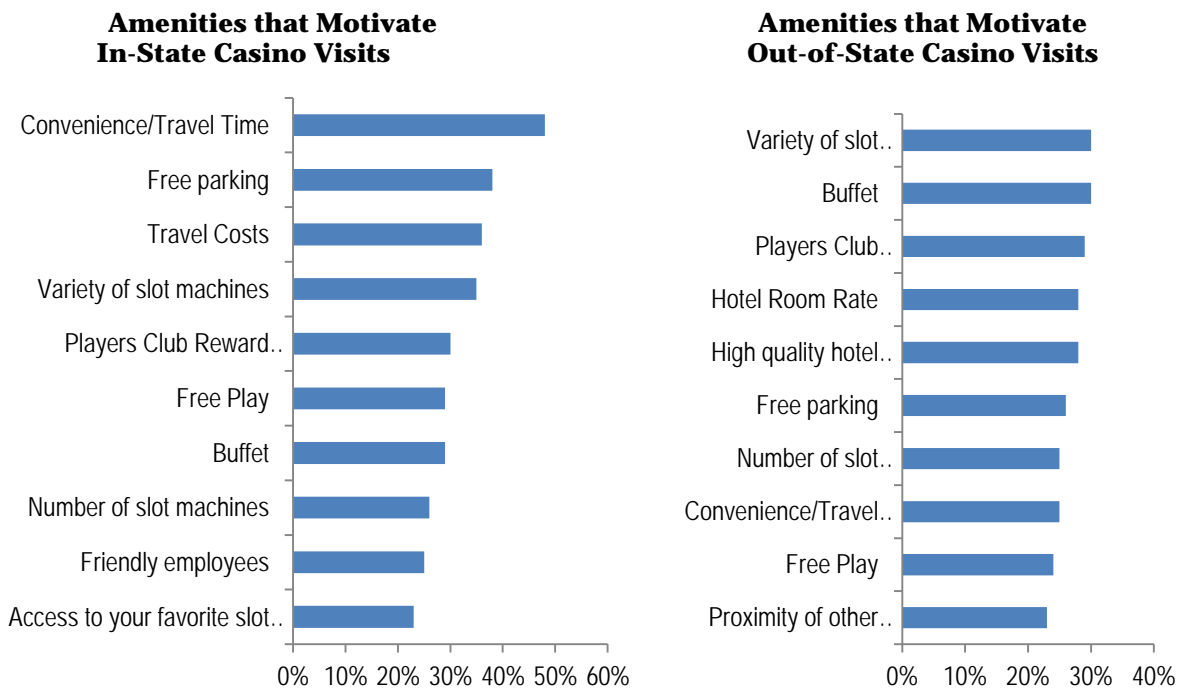


Net difference of those who indicated that they planned on making more overnight trips in the next five years compared to those that indicated they would be making fewer overnight trips

OTHER TRENDS

Amenities

Amenities continue to serve as key motivators for casino visitation and spend. When it comes to in-state (regional) gaming visits, convenience, travel time, free parking, and travel cost rank highest among motivating factors. By comparison, when it came to gamers deciding which out-of-state (destination) venue to frequent, variety of slots, buffet, player rewards, and hotel room rates led the list.



In nearly every case the importance of the amenities in the chart above were greater for the older generations, thus, indicating that these amenities will continue to attract older generation gamers. However, the amenities that motivated the younger generations were much different and focused more on the following:

- Nightlife;
- Live entertainment;
- Variety of table games;
- Spa facilities;
- Shopping;
- Family attractions;
- Number of bars & lounges; and
- Free or comped alcohol.

The mentioned factors between regional, generational, and other demographic indicators can be instrumental in targeting the ideal customer. The Innovation Group has additional information that can be made available upon request regarding these crucial factors.

CONCLUSIONS

Ultimately, the trends we are seeing show a waning visitation and spend for older generations, which currently generate the majority of gaming revenue. Younger generations tend to be increasing casino visitation, but are not necessarily attending for gaming purposes. In general, casinos in the near future will need to review their strategic planning if they intend to reach the younger markets and replace aging casino gamers. Casino operators will need to consider new interactive games, including more table games, and improve food and beverage as well as entertainment options. Although these amenities and changes are likely to attract the younger casino gamer, it will typically operate as a lower profit margin.

The results presented from this survey are only a small piece in terms of the data The Innovation Group has available. Other data points that we looked at include:

- Specific game preferences,
- Online habits including those for social media and fantasy football,
- Preferences of online gaming,
- Offers that are most effective in generating visitation and spending,
- Influence and effect of branding, and
- Top offers influencing patrons to visit.

In addition, the results can be analyzed in various ways to help casino operators specifically target customers in their region. The results can be customized to specific regions for individual operators. The map below represents the regions we utilized defined by the US Census Bureau.

