



Coronavirus Recovery Consumer Research Casino Gaming

August 12, 2020



Executive Summary

Overview

The Innovation Group conducted two online surveys, each targeting 600 casino-goers across the United States. The first survey was conducted in May 2020 before casinos re-opened to measure guest sentiment towards re-opening. The second survey was conducted in August 2020 after most casinos re-opened to measure if re-openings met expectations. Respondents represented a multitude of gaming budgets and frequencies, age ranges, geographies, and political affiliations. Each respondent had indicated gambling as an interest, and all reported having been to a casino in the last 12 months.



Executive Summary

Key Findings

- **Players overstated their intention to return, but higher quality players are showing up.** Only 17% of casinogoers have actually returned to casinos since reopening, versus 40% who said they would return in May. However, returning players were higher frequency and higher worth guests. Focusing on a small, high-frequency, and gambling-oriented population has allowed casinos, especially in regional markets, to flex their variable costs (especially marketing-related) and achieve considerably higher margins on their reduced revenues. This trend of overstatement (or sentiment change) was similar to that in other consumer activity, such as gyms (33% versus 8%) and travel (28% versus 10%), with the notable exception of retail (53% versus 55%).
- **Vaccine development is very important to players opting out.** 35% of casinogoers state that they will not return until a vaccine or reliable treatment is available. This presents a challenge to casinos on the revenue front, both from a gaming perspective and also as it relates to nongaming amenities, which often rely on mass market usage to operate profitably.
- **Players expect to moderate their gaming budgets.** Players have indicated that their budget on recent trips (since reopening) has been *higher* than it was in 2019. However, player forecasts of their next 12-month visitation and spend patterns suggest a flat to lower spend per trip and reduced visitation. This could reflect anxiety about the overall direction of the economy.
- **Interest in amenity use is much lower than pre-COVID levels.** Only 54% of those who have returned to a casino used a nongaming amenity (hotel, pool, spa, restaurant, etc.) on their recent visit, versus 88% who report using one on a typical trip in 2019. While this could introduce opportunities for margin improvement, impact on volume of EBITDA is uncertain.



Executive Summary

Key Findings

- **Safety measures have generally been in line with guest expectations.** 89% of those who have returned to casinos believed that the casino implemented “an appropriate level of safety measures” or “too many safety measures,” while only 11% felt that the casino did not do enough. Likewise, 85% believed other guests adequately complied with safety measures or went “out of their way to ensure everyone’s safety.” Safety measures were observed with about the same frequency that they were desired. For example, 80% of those who have returned since reopening saw hand sanitizing stations throughout the establishment, and 78% of non-returners indicated desiring these. Notable gaps were in plexiglass barriers at slot machines (61% desired, 39% implemented) and table games (48% desired, 37% implemented) and in capacity restrictions on the floor (57% desired, 42% implemented).
- **Regional variation in player behavior tracks prior research.** Trip declines blended to 46%, 47%, and 48% in the Midwest, Northeast, and West, respectively, while trip declines in the South were only 31%. Likewise, guests in the South had more relaxed attitudes toward protective measures.
- **Players want cashless options.** 86% of respondents expressed concern regarding acquiring coronavirus from handling cash at the casino. 72% of all respondents indicated that they were “somewhat likely” or “very likely” to use cashless payments if available, and 66% said they’d be “somewhat likely” or “very likely” to visit a casino that offered cashless gaming. High frequency and high worth guests were more likely to desire cashless options.



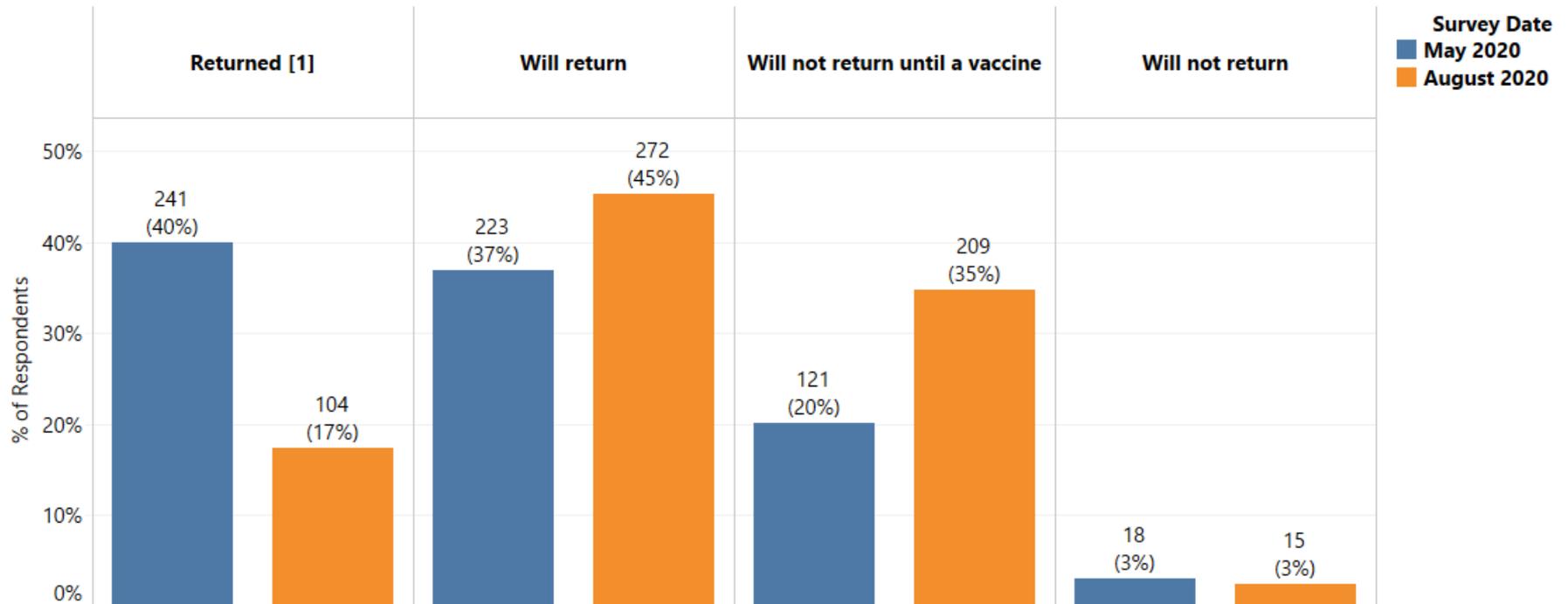
Casino Visitation & Spend



Casino Return Behavior

- In May, 40% of respondents indicated they would gamble at a casino in the next few weeks if allowed. By comparison, only 17% of respondents in August reported gambling at a casino in the last month. An additional 8% of respondents do not have open casinos in their area but say they will return to gambling within a few weeks of casinos opening.
- A driver of the decline in return percentage is an increase (20% to 35%) in number of respondents who will not return until a COVID vaccine or reliable treatment is available

Return to Casino Behavior

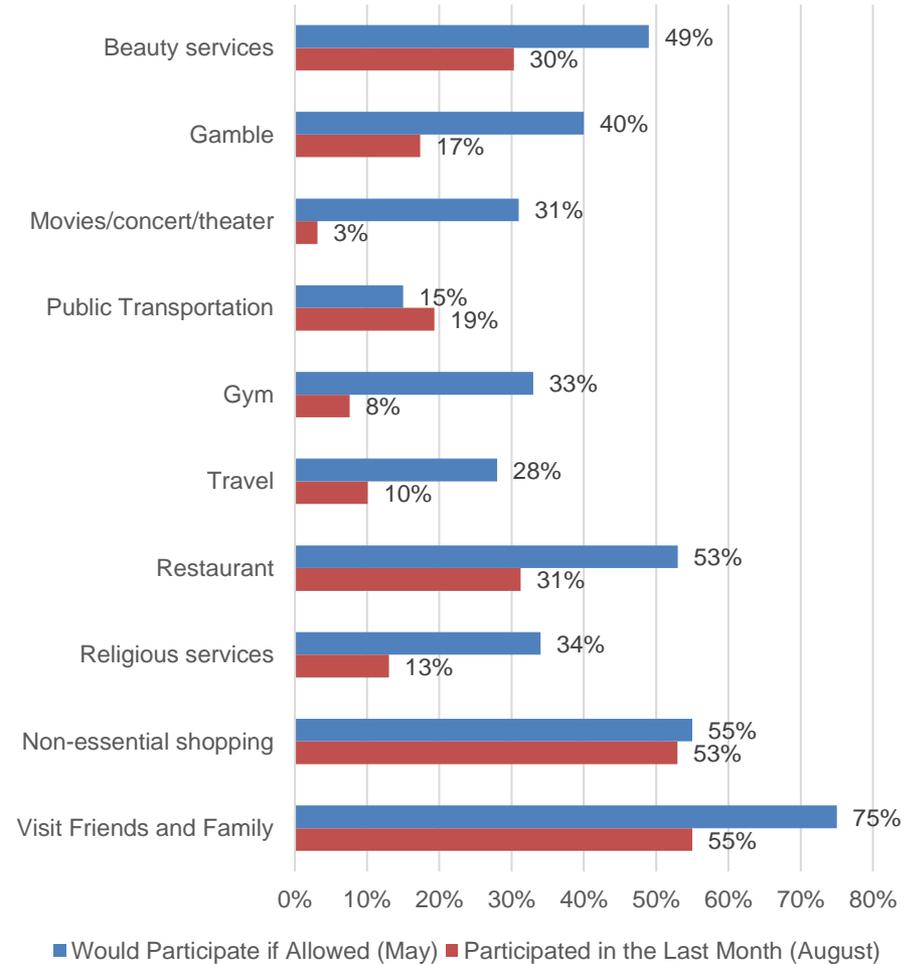


[1] For May respondents: would gamble at a casino in the next few weeks if allowed



Benchmarking Return Behavior

- Respondents were given a list of activities and asked to select the activities they would do in the next few weeks if allowed (May participants) or that they have done in the last month (August participants)
- In May, 40% of respondents stated they would gamble at a casino in the next few weeks if allowed. In August, only 17% of those surveyed had gambled at a casino in the last month
- Observe a similar willingness to participate outpacing actual participation pattern in other entertainment and leisure activities, such as restaurants, gym, and movies/concert/theater
- Notable exception is non-essential shopping, where willingness is nearly equal to actual participation.





Profiling Returners

- Respondents expect to make on average 6 trips to a casino over the next 12 months, a 43% decline compared to 2019
- Respondents who have returned to casinos were higher frequency pre-pandemic.
- Older guests, retirees, and women were less likely to return

Returned to Casino

- 54% Female
- Median Age Range 30-44
- 54% Employed
- Median Pre-COVID Casino Frequency
*A few times per **month***

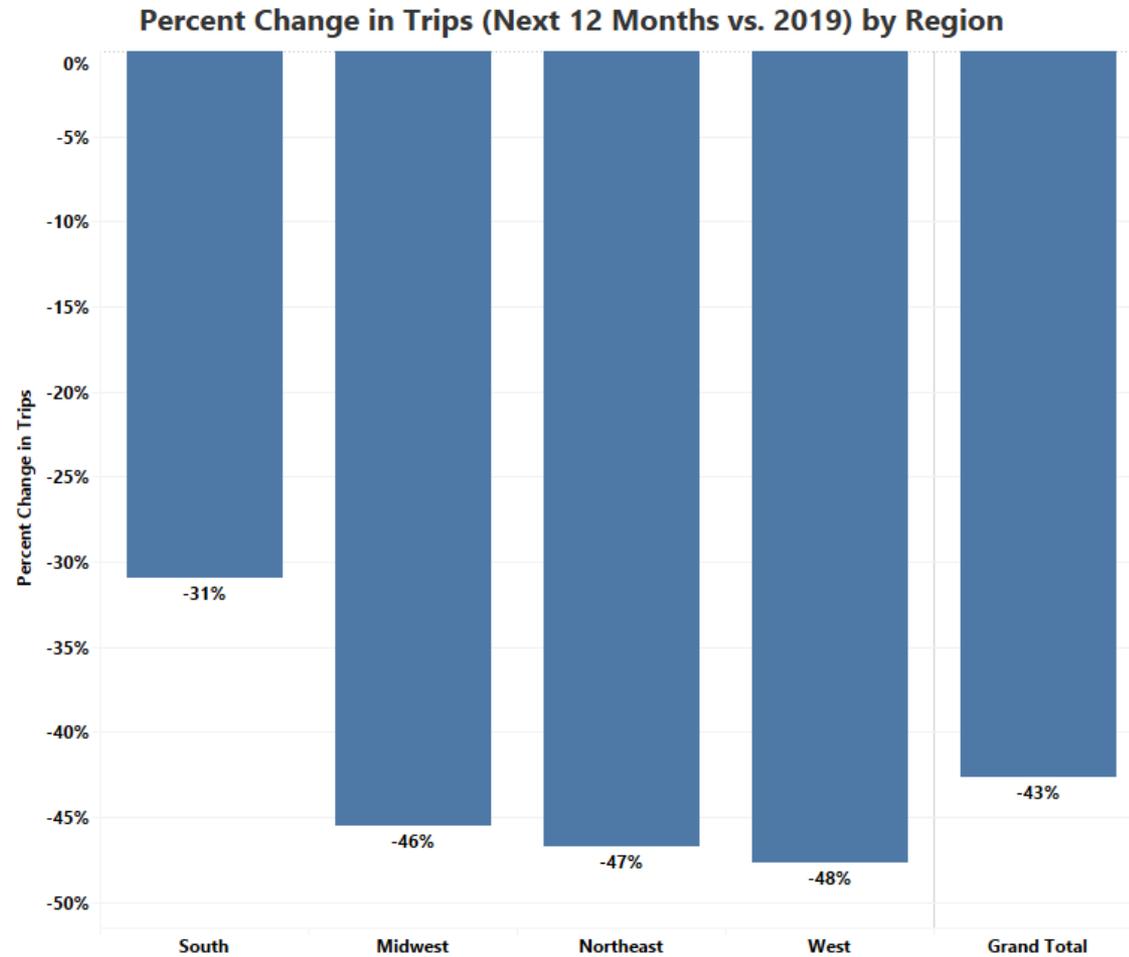
Did not Return to Casino

- 63% Female
- Median Age Range 45-60
- 38% Employed
- Median Pre-COVID Casino Frequency
*A few times per **year***



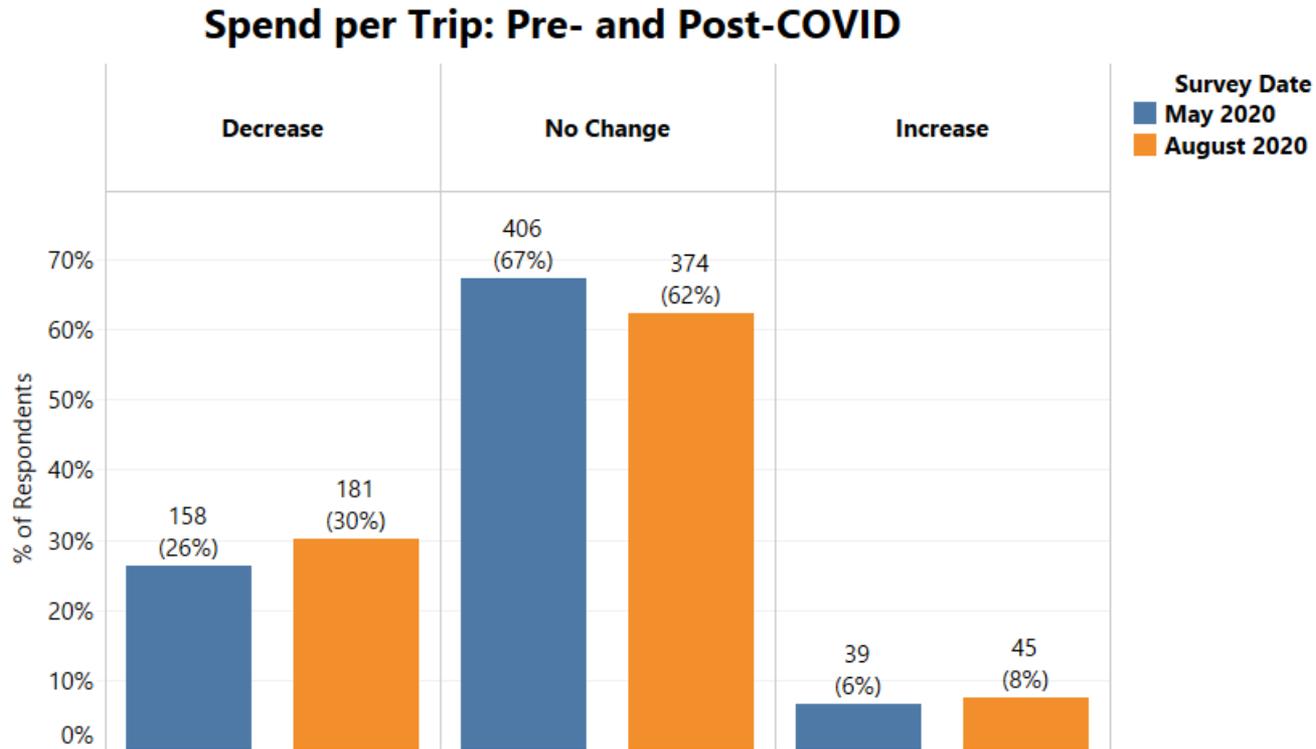
Return Behavior: Regional Differences

- Respondents were asked how many casino trips they made in 2019 and how many trips they expect to make over the next 12 months
- Overall, they report a 43% decrease in trips over the next 12 months
- Trips are expected to decline the least in the South (-31%)
- Declines across the other regions are consistent, just below 50%



I Coronavirus Gambling Budget Impact

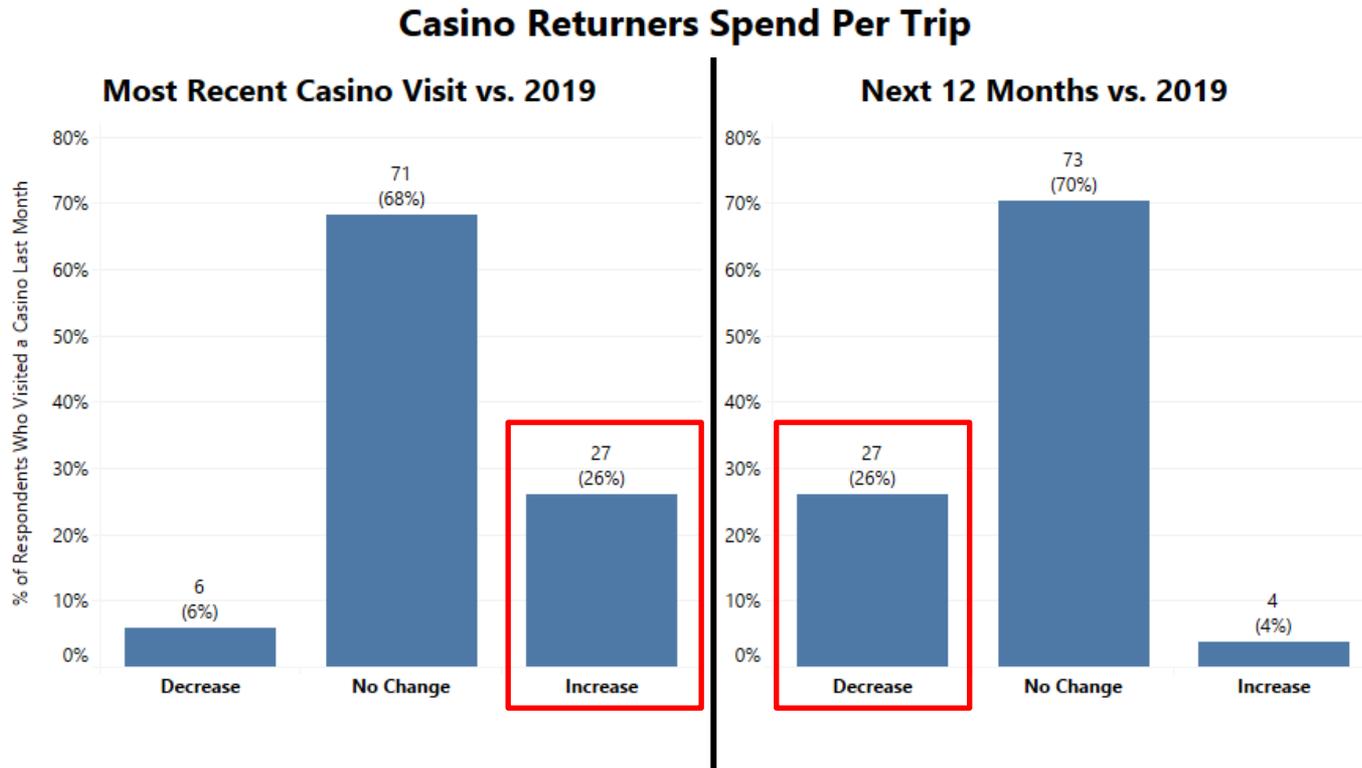
- Respondents were asked their typical pre-COVID casino trip budget and their estimated trip budget over the next 12 months
- Overall, two-thirds of respondents anticipate no change in casino spend per trip over the next 12 months.
- 3-4x as many players (26%-30%) plan to decrease their budget as plan to increase their budget (6%-8%)
- From May to August, we see a slight increase in the number of respondents decreasing their spend per trip





Casino Returners: Return ADT

- In addition to pre-coronavirus and next 12 months casino spend per trip, respondents who have gambled at a casino in the last month were asked what their gambling budget was on their **most recent trip**
- While one-quarter of respondents expect to reduce their spend per trip over the next 12 months, one-quarter of respondents also report having spent more per trip since returning to casinos. This suggests that recent revenue reports reflect pent up demand that may taper as the year progresses



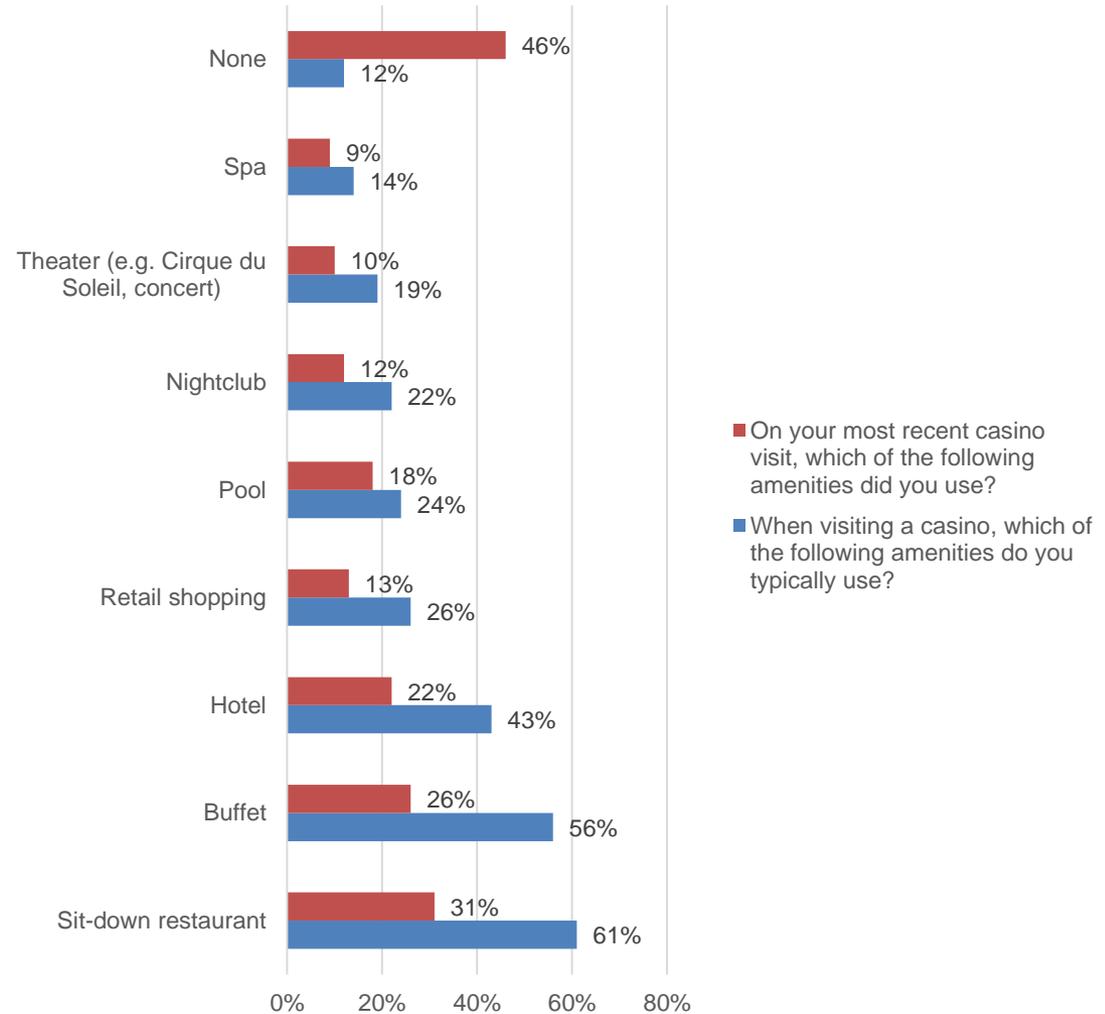


Amenity Usage



Casino Returners Amenity Usage

- Nearly half of respondents who have visited a casino in the last month did not use any amenities. In contrast, only 12% of respondents did not use amenities pre-pandemic
- Possible explanations include:
 - **Lack of availability:**
Many amenities have not yet re-opened
 - **Safety concerns**
Space constraints and untested safety measures may make guests reluctant to utilize amenities
 - **Demographic differences**
Respondents who have returned to casinos are more serious gamblers whose primary focus may be on gaming rather than amenities
- While usage is significantly lower than pre-pandemic, relative popularity of amenities remains the same

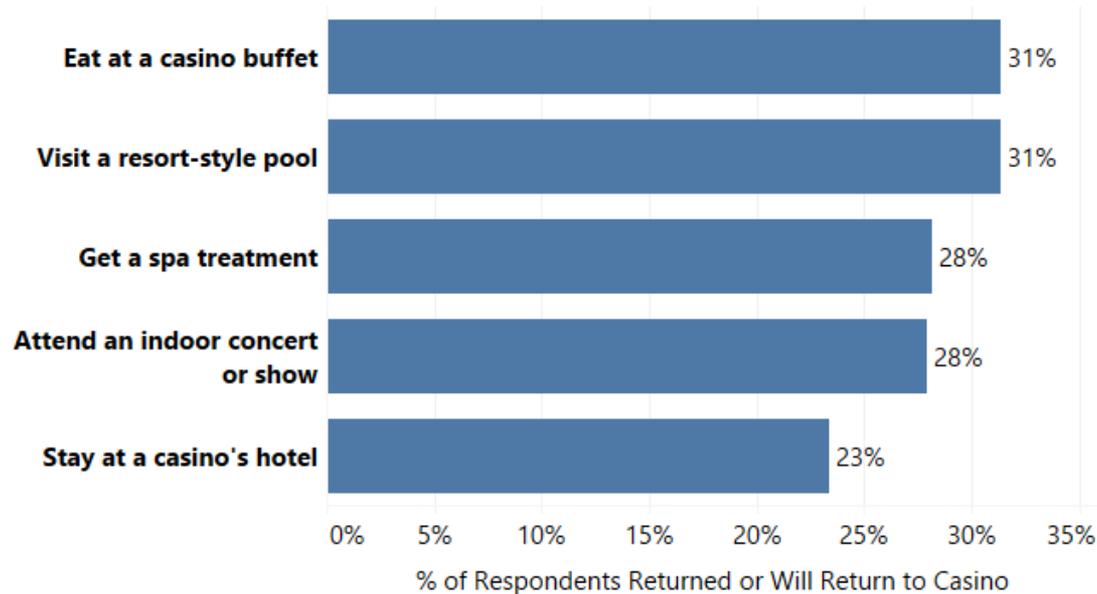




Amenity Demand: Summary

- To determine demand for amenities, we focused on respondents who have either returned to a casino in the last month or indicate they will return to a casino before a COVID vaccine is available. This represents 63% of our August sample
- For each amenity, respondents were given multiple sample scenarios for each amenity varying virus safety precautions. Respondents selected either scenarios they would be willing to use the amenity or indicated they would not use the amenity until a COVID-19 vaccine or reliable treatment is available
- In general, 30% of guests returning to casinos will not use an amenity until a vaccine or reliable treatment is available. These tend to be older guests and/or guests with household members at high-risk for COVID-19 complications

Respondents Willing to Visit Casino but Will Not Use Amenity Until a Vaccine or Treatment is Available

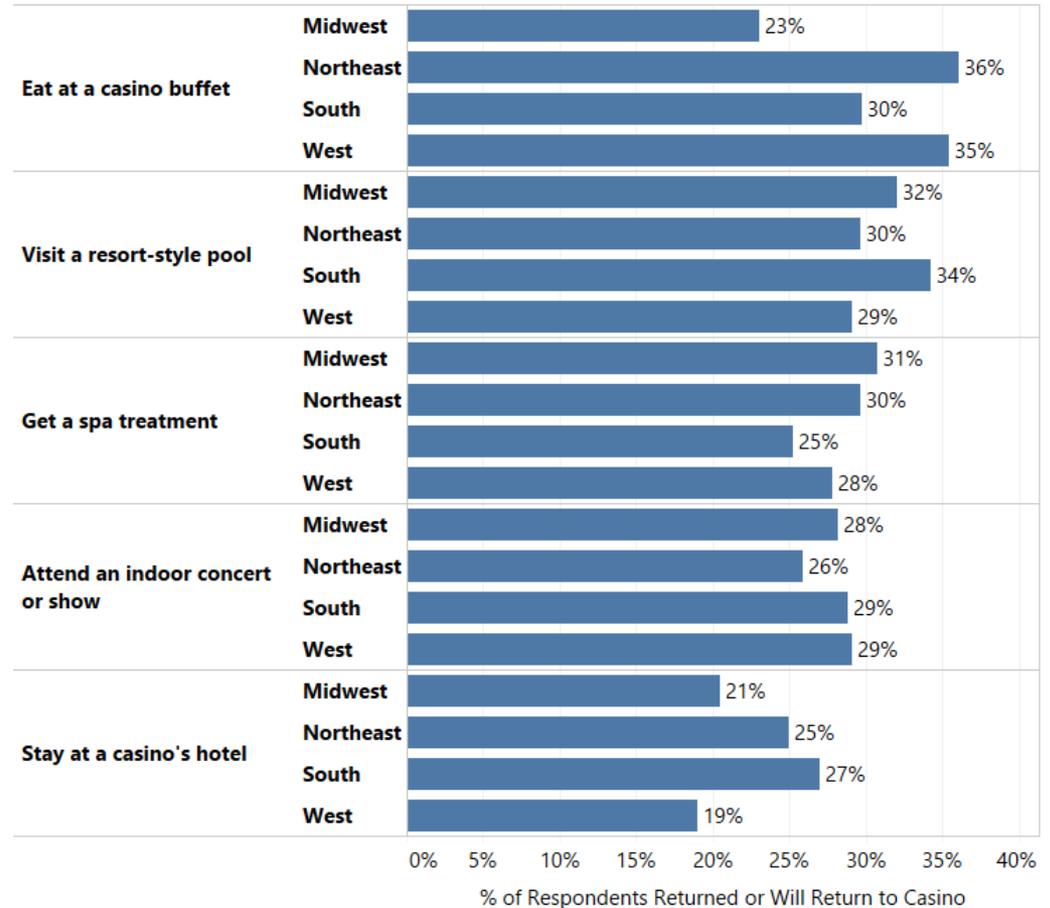




Amenity Demand: Regional Differences

- Higher percentages in the chart to the right indicate lower interest in amenity until a vaccine is available
- In general, amenity demand is consistent across regions. Notable exceptions are:
 - **Hotel:** South and Northeast less willing to stay at a casino hotel than other regions
 - **Buffet:** Midwest much more willing to eat at a casino buffet than other regions

Respondents Willing to Visit Casino but Will Not Use Amenity Until a Vaccine or Treatment is Available

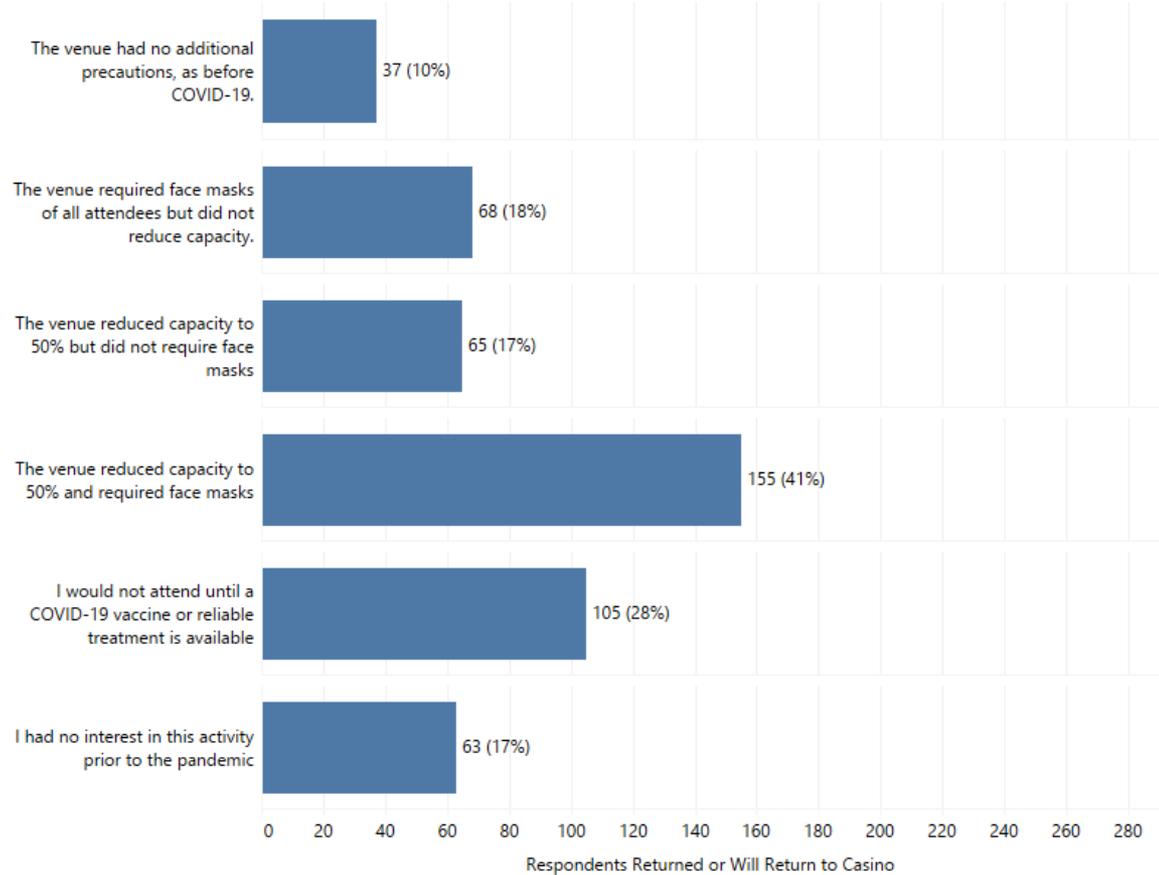




Amenity Demand: Concert

- 41% of respondents who would visit casinos would attend an indoor concert or show with reduced capacity and mandatory face masks
- Fewer than half of those would attend with masks only or reduced capacity only

Under which of the following scenarios would you be willing to attend an indoor concert or show?

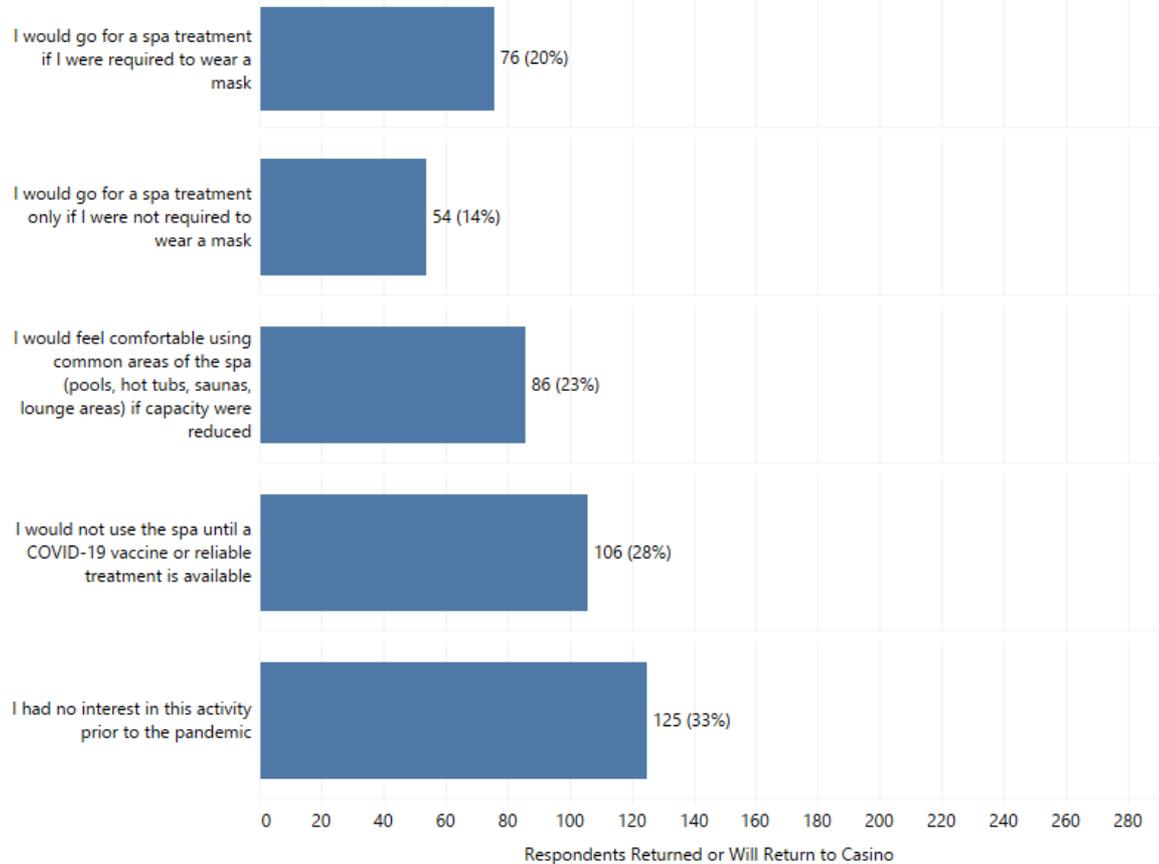




Amenity Demand: Spa

- Mask requirements in the spa appear divisive as 14% would only receive a treatment would go for a spa treatment if they were not required to wear a mask
- Removing those without spa interest, around one-third would feel comfortable using common areas with reduced capacity

Under which of the following scenarios would you get a spa treatment? Assume masks are required for staff and that upgraded cleaning protocols are in place.

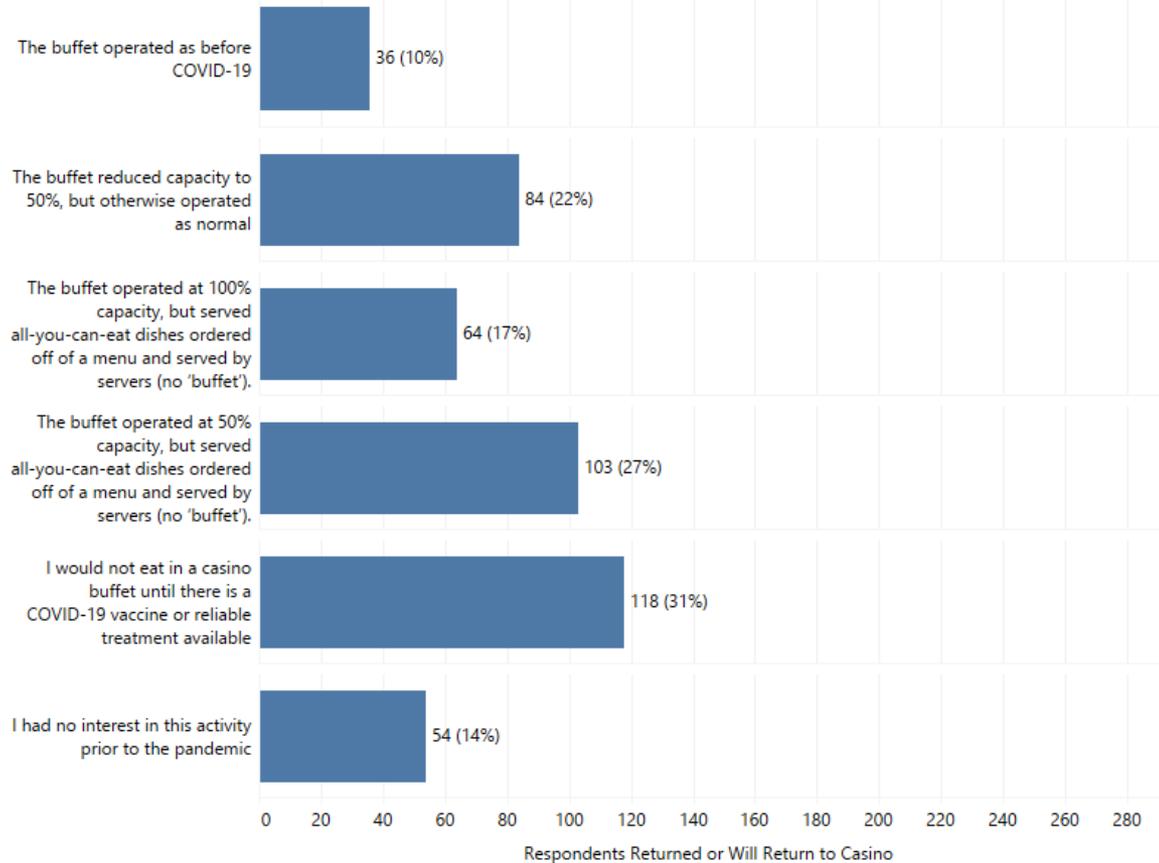




Amenity Demand: Buffet

- Overall, buffet has one of the highest rates of “would not use until vaccine/treatment is available”
- However, reduced capacity was enough to make 22% of overall respondents comfortable with the buffet, and this increased to 27% if all-you-can-eat plated meals were brought by servers

Under which of the following scenarios would you eat at a casino buffet? Assume masks are required of all staff and of guests when not seated at their table.

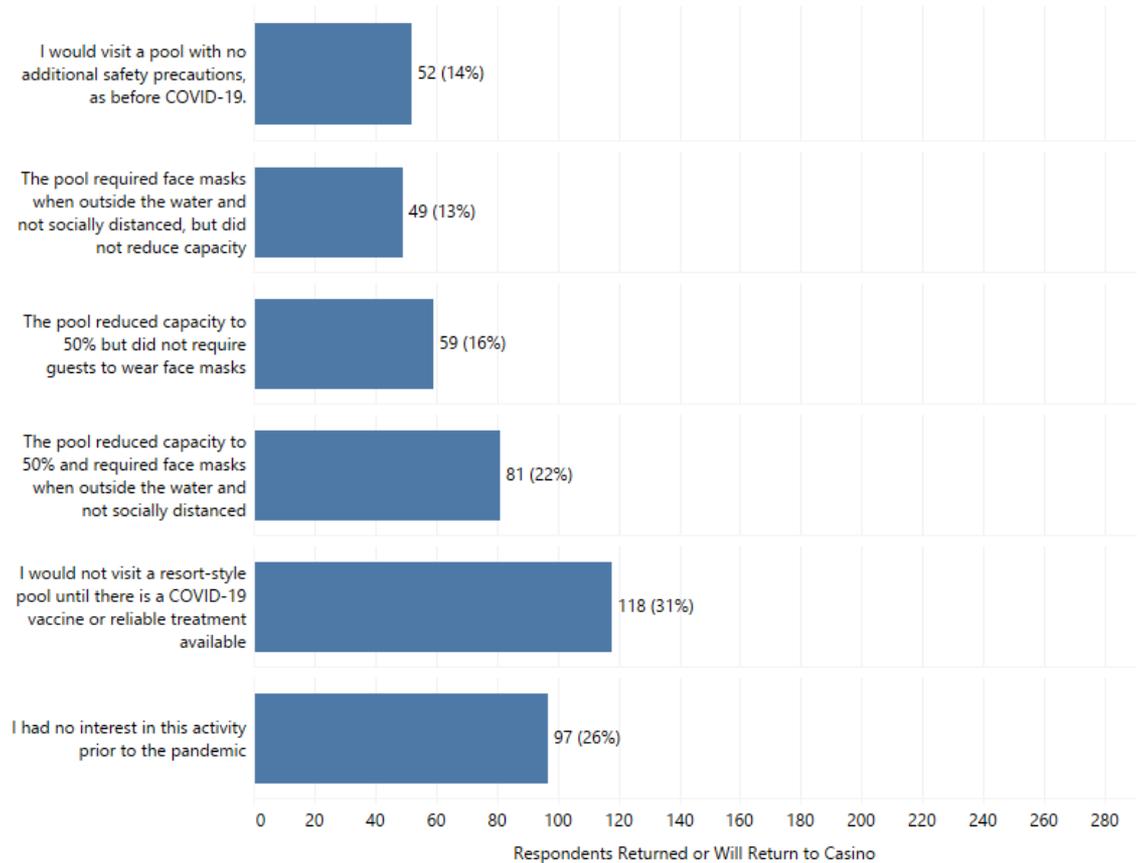




Amenity Demand: Pool

- Pools were polarizing, with a high percentage (31%) of respondents unwilling to visit the pool without a vaccine or treatment available, but also the highest percentage (14%) of respondents willing to use the pool without any additional precautions
- As with other amenities, guests increase comfort with the introduction of safety measures, such as masks (when not socially distanced) and reduced capacity

Under which of the following scenarios would you be willing to visit a resort-style pool?

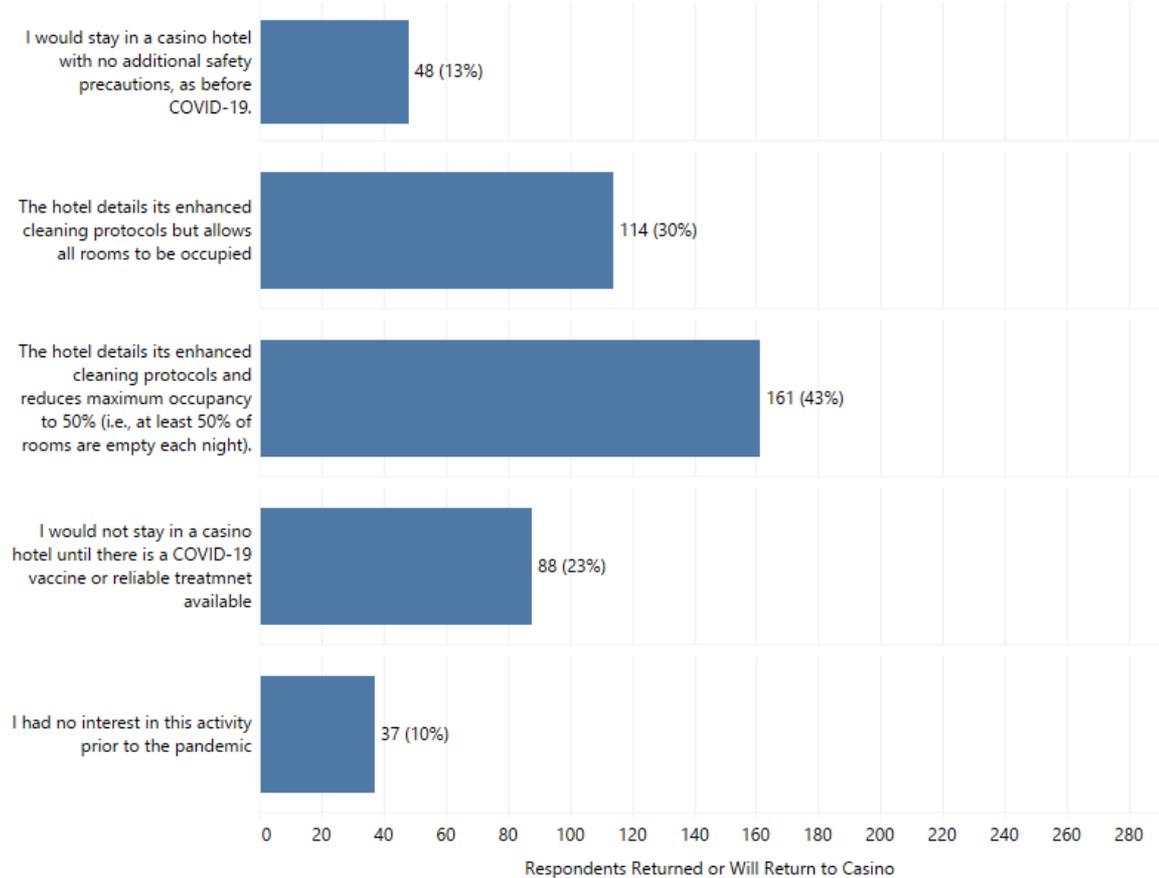




Amenity Demand: Hotel

- 30% of respondents were willing to stay in a casino hotel if the hotel were to detail its enhanced cleaning protocols.
- This increases to 43% with reduced capacity
- Resorts should not only implement safety measures but also market those measures to attract guests

Under which of the following scenarios would you be willing to stay at a casino's hotel?





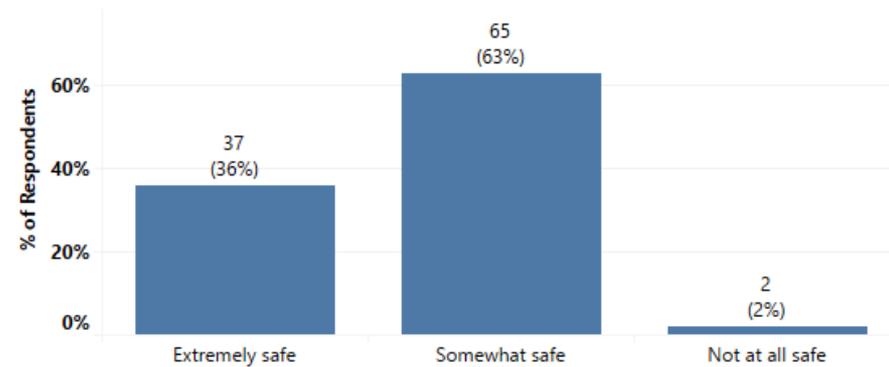
Safety Measures



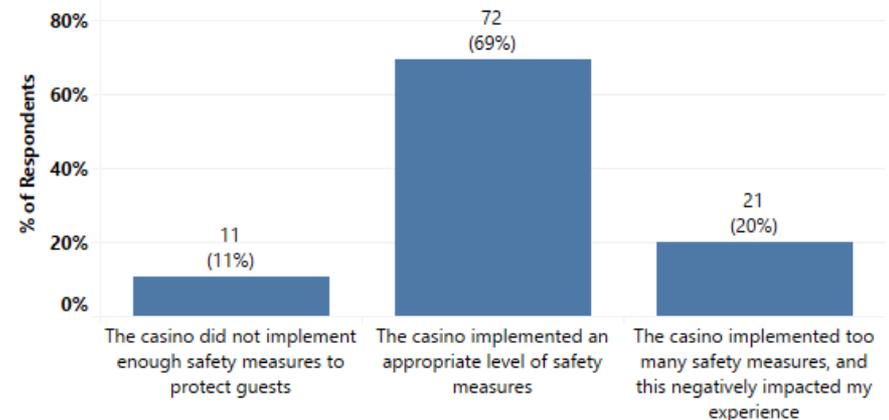
Sense of Safety On Property

- Among those respondents who have gambled at a casino in the last month, nearly all felt safe from the coronavirus while on property
- When asked if there was anything else the casino or its employees could have done to make you feel protected from the coronavirus, many respondents noted the casino went out of its way to provide a safe environment and respondents were pleased and impressed with their experiences
- 70% of respondents who have returned to a casino felt there was an appropriate level of safety measures in place
- Out of 600 respondents, only two criticized mandatory safety precautions in the free response questions:
 - “I hate wearing masks and lots of the slot machines I like to play are shut off. All the casinos should let us make up our own minds as far as masks.”
 - “[Casinos] should not have any precautions at all”

On your most recent casino visit, how safe did you feel from the coronavirus while at the casino?



Ignoring individual guests' compliance with safety measures, which of the following best describes your feelings about the casino's measures to keep guests safe from the coronavirus?

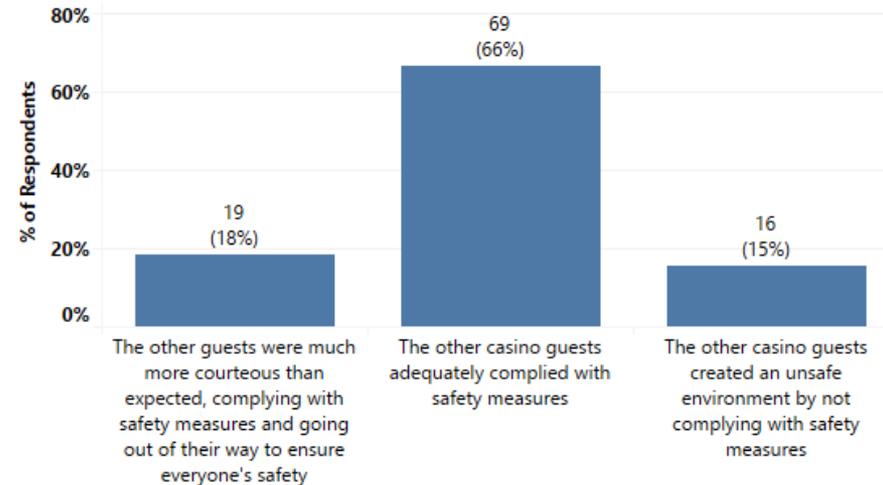




Sense of Safety On Property

- 84% of respondents were satisfied with other guests' compliance with safety measures
- When asked how other casino guests impacted respondents' safety from the coronavirus, many respondents said other guests were courteous and appeared to be complying with all the rules and regulations set for the casino floor
- Common points of frustration included improper mask use and respecting social distancing
 - "Masks were worn on the chin"
 - "Some needed to be reminded by dealers/security to pull the mask back up after taking a sip of their drink"
 - "Loudly talking without face masks and not respecting social distancing guidelines"
 - "People did not always follow 4 per elevator rule"

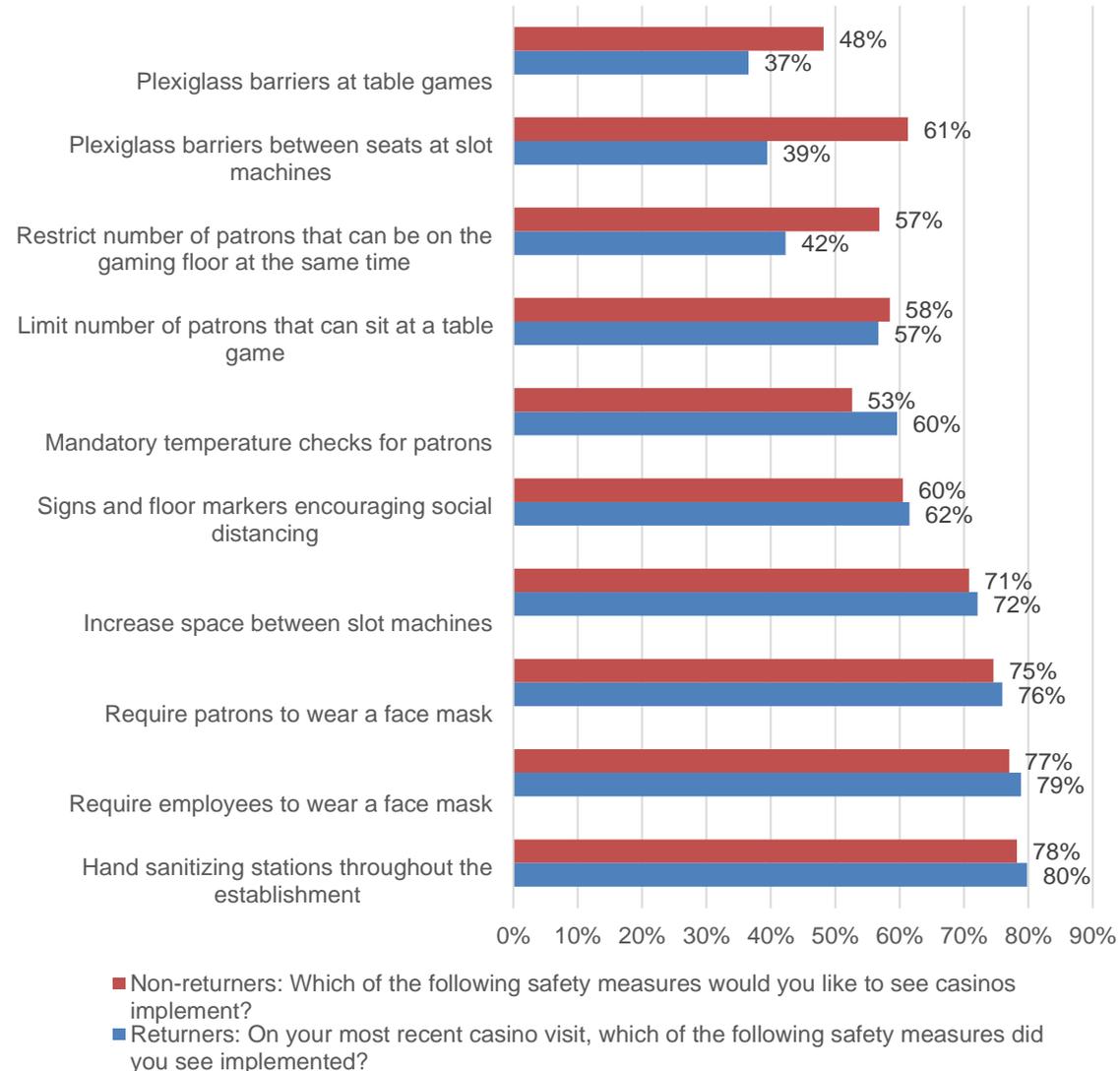
Which of the following best describes your feelings toward the behavior of other casino guests?





Observed vs. Desired Safety Measures

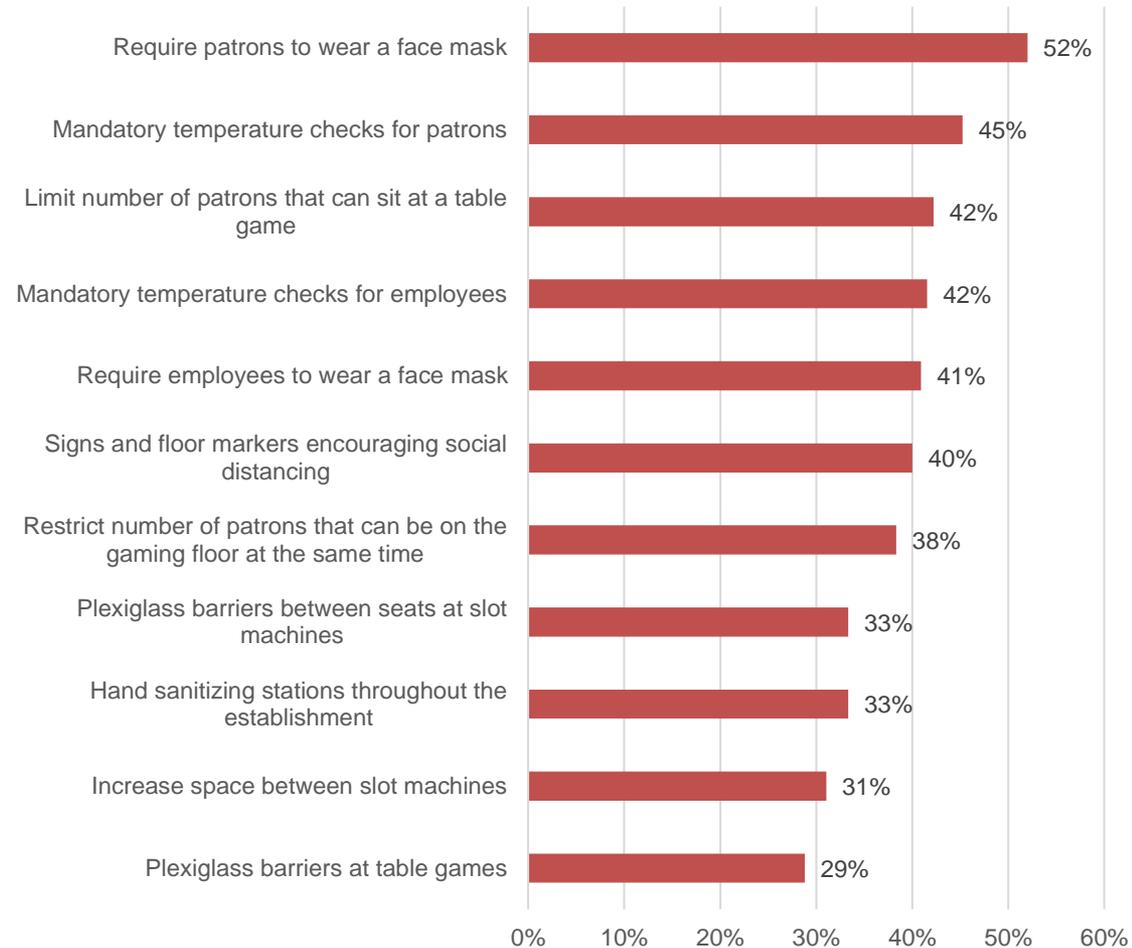
- Respondents who have not visited a casino in the last month were asked to select safety measures they would like to see implemented. We compared these to what safety measures observed by respondents who have returned to casinos
- Demand for the following measures is higher than implementation rates
 - Plexiglass barriers at table games
 - Plexiglass barriers between seats at slot machines
 - Restrict number of patrons that can be on the gaming floor at the same time
 - Limit number of patrons that can sit at a table game
- Other measures suggested by non-returners include:
 - Remove guests not complying with rules
 - Single use playing cards at table games
 - Touchless alternative to chips at table games
 - No smoking



I Observed vs. Desired Safety Measures: Returners

- Respondents who visited a casino in the last month were asked which measures they would have liked to see that were not implemented
- There is high demand for mask mandates, temperature checks, and table capacity limits. For example, more than half of respondents who **did not** see mandatory guest face masks would have liked to see a mask mandate
- The lack of plexiglass barriers around slot seats and at table games is less concerning to those who have returned to casinos than to those who have not yet returned

Desired Measures Not Observed on Most Recent Casino Visit





Observed vs. Desired Safety Measures: Regional Differences

- Across all regions, plexiglass barriers between slot machines and restricting number of guests that can be on the gaming floor at the same time have high demand and low implementation
- Other high demand / low implementation safety measures in each region are listed below

West

- Signs and floor markers encouraging social distancing
- Increase space between slot machines
- Require employees and patrons to wear face masks
- Hand sanitizing stations

Midwest

- Mandatory temperature checks for patrons

Northeast

- Signs and floor markers encouraging social distancing
- Increase space between slot machines

South

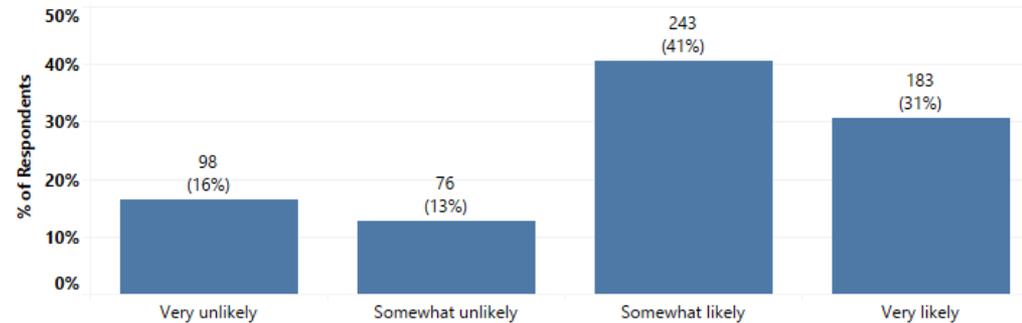
- No additional precautions



Cash Handling

- We asked respondents if they were concerned about contracting coronavirus from the handling of cash in a casino and 86% of respondents expressed concern
- Three-quarters of respondents showed interest in a cashless gaming option and would play at a nearby casino if it offered cashless gaming

If a cashless payment option, such as a casino-specific pre-paid debit card that you could use to wager at slot machines and table games, were offered at your preferred casino, how likely would you be to use it?



If a nearby casino were to offer cashless gaming, how likely would you be to play there?

