

ONLINE GAMING: CASINO HOTELS' COVID-19 LIFELINE

By Tom Donohue and Kristi Gibson

Nine months into the global pandemic, the gaming and hospitality industry is largely still contending with significant revenue losses resulting from a precipitous decline in business and the resulting closures or significant operational cuts. As the United States undergoes another wave of the pandemic, the potential for gaming venues to remain closed—and thus the difficulty for operator tenants to meet their lease obligations—increases. The need for casinos to find revenue thus becomes more urgent, and many are turning to online gaming, or iGaming, platforms to bridge the revenue gap.

COVID-19 has accelerated the migration to online ordering for grocery delivery, retail purchases, and entertainment. Gaming is no exception. It has accelerated a shift away from traditional brick-and-mortar gaming to mobile and online gaming offerings. Prior to the pandemic, some casinos were rolling out iGaming platforms and finding a receptive customer base, not to mention an additional revenue stream. When the pandemic did strike, those with established platforms found themselves in a fortuitous position, as they were able to generate revenue while their

physical locations closed by state or local mandate. Combined with government loans offered for the first time to casinos, through the Paycheck Protection Program, for example, this helped many meet their lease obligations. Now, confronted with a resurgence in the virus and the threat of more shutdowns amid an already significant decline in hotel occupancy and patronage, casinos need to come up with ways to generate cash.

The online gaming industry is projected to grow in CAGR from about \$150 billion to nearly \$200 billion by 2022, according to [some estimates](#), and states with legal online gambling sites all reported record-breaking revenues during the second quarter of 2020. The pandemic also helped accelerate the blossoming development of esports, which are multiplayer video game competitions that connect online users globally through the internet and on which other gamers can bet. Because professional sports games across the world shut down during the first months of the pandemic, esports became a convenient outlet for online betting, which otherwise was taking shape in casino games such as poker, slots and blackjack. Now, competition is fierce among software companies trying to push their products out to online platform operators.

The time is ripe for casinos that haven't yet ventured into online gaming. Technologies such as blockchain, the Internet of Things and virtual reality (VR) have also helped facilitate the transition to online gaming and gambling. Blockchain helps to prevent fraudulent activity while VR gives customers the ability to enter a virtual casino. Software companies have been improving products to ensure that consumers feel comfortable with online offerings and have been investing in mobile platforms to create a more seamless experience to be used in the comfort of one's home.

ADOPTING NEW TECHNOLOGIES AND METHODS

During the first few months of the pandemic, many hotels and casinos began to invest in new technologies and to establish protocols to promote safety for their employees and instill confidence among guests. In addition to enforcing social distancing measures and requiring face masks to be worn, some have installed thermal imaging cameras that can detect body temperature or implemented bipolar ionization and ultraviolet light technology to purify the air and clean commonly used surfaces. To reduce human interaction, many hotels and casinos have also adopted automated technology, including mobile check-in and checkout, hand sanitizer stations, plexiglass barriers at customer service and gambling areas, and touchless payment options—all efforts to reinforce among guests a sense of security and confidence in cleanliness.

Casino operators have also patterned their hours of operation based on weekend surges in occupancy, with certain properties closing Monday to Wednesday and opening Thursday through Sunday, for example. Doing so helps to lower static costs, such as labor, in order to meet other static costs, such as rent. Given the decline in air travel to destination locations like Las Vegas, guests typically have been local or lived within driving distance, and gaming properties close to population centers have performed better as a result. Casinos can also get creative with repurposing unused space. Some have rented out their conference space for remote offices or quarantine centers.

As the industry navigates the current challenges presented by another wave of COVID-19 cases and the resulting uncertainty of an economic recovery, it will be important for the hospitality and gaming industry to adopt new practices that will benefit both the industry and the customer. While it remains to be seen if consumer appetite can be fully satisfied by online gaming making traditional brick-and-mortar gaming a novelty, it is clear that traditional brick-and-mortar gaming operators must turn to new technologies to stay competitive.



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