



5 TRENDS IN GAMING AND HOSPITALITY FOR 2021



INSIGHTS FROM THE BDO GAMING, HOSPITALITY & LEISURE PRACTICE

The constant thrum of activity that defines a visit to gambling hubs large and small gave way to ghost towns when the pandemic hit. Though casinos reopened, foot traffic remained light and casino floors relatively quiet. Now with another countrywide surge in coronavirus cases and renewed restrictions on travel and gaming operations, in-person patronage continues to be subdued.

As a result, organizations focused on gaming and hospitality have had no choice but to rethink their business strategies to regain revenue lost from initial shutdowns and the continued lack of physical consumer presence, in addition to making investments to ensure and promote customer and employee safety. Certain trends that were developing before the pandemic have been accelerated, while previous ways of doing business may remain part of the past.

Looking into 2021 and beyond, here are the top five trends the gaming and hospitality industry will encounter as we move through the pandemic and beyond.

TREND #1:**ONLINE GAMING WILL CONTINUE TO EXPAND AND EVOLVE**

The pandemic forced traditional casino operators to embrace online gaming and sports betting. Some casinos have seen online gambling revenue more than double, underscoring that it can serve as a viable supplemental revenue stream for the industry. In 2021, we anticipate that daily fantasy sports, online sports betting, esports, virtual reality experiences and traditional online gambling (e.g., blackjack and slots) will continue to gain market share.

Further contributing to the shifting landscape, certain online gaming platforms have begun to accept cryptocurrency, enabling deposits, withdrawals, and gameplay in Bitcoin and other digital currencies. A primary benefit of cryptocurrency to the online gaming community is increased security and anonymity, thereby reducing the risk of hacking and identify theft. This could also enable the gaming industry to cater and market to younger and more tech-savvy gamblers who do not need a traditional banking service to play.

New cryptocurrency technologies are currently being developed specifically for online gaming but may take hold in brick-and-mortar locations as well. International Game Technology, the world's largest maker of slot machines, is exploring cryptocurrency as a payment option on casino games, paving the way for casinos to adopt cryptocurrency as well.

TREND #2:**MORE STATES WILL LEGALIZE SPORTS BETTING**

As states continue to experience significant declines in tax revenues due to the protracted pandemic, they are in search of alternative revenue sources. As such, we have seen state leaders becoming more receptive to legalized sports gambling across the country.

For casinos, legal sports betting expands the betting population—both online and within brick-and-mortar locations—and that population is only going to increase. Since the Supreme Court lifted the federal ban on sports betting in 2018, legalizing at the time what was estimated to be \$150 billion in annual illegal sports wagering activity, 19 states and the District of Columbia have legalized sports betting, 6 states have legalized it but not acted on it, and 3 states have filed legislation for passing it in 2021.

States that have legalized sports betting, like New Jersey, have seen revenue increase dramatically. The Garden State recorded a sports betting handle of \$931.6 million in November 2020, which translated into \$30.6 million in gaming taxes for the state. Of the total handle, \$872.1 million (93.6%) was generated from online wagering. Meanwhile, traditional gaming in revenue for November was down \$146.6 million (\$34.6%).

In 2021, we anticipate that the popularity of sports gambling will continue, especially as more states take steps to supplement their revenue streams by legalizing online sports betting.

TREND #3:**CASINOS WILL CONTINUE TO PRIORITIZE SAFETY FOR IN-PERSON EXPERIENCES**

Hotel and casino operators have had to implement new protocols during the pandemic to comply with safety measures. Because there is no telling how long the pandemic will last, even with vaccines in play, some of these new protocols—especially those that require significant investment—may become permanent.

Many casinos are replacing the traditional buffet with food halls, including grab-and-go and fast casual options, and offering technology that allows patrons to order from their tables. Other changes that may be permanent include revised gaming floor layouts that promote social distancing, with gaps between gaming positions and plexiglass barriers between dealers and gamblers. Until the vaccines are widely distributed and the pandemic officially under control, fewer player positions will be offered at tables. Other safety measures, such as requiring masks and temperature checkpoints upon entering, will linger for as long as the pandemic does, and are likely to continue past that.

Since significant uncertainty still remains regarding the pandemic, it is vital that hotel and casino operators prioritize and promote employee and guest safety, while remaining cognizant of the impact precautions will have on the experience that customers expect.

TREND #4:

DIGITAL ADOPTION WILL BECOME TOP OF MIND FOR HOTELS AND CASINOS

The pandemic has accelerated digital adoption within hotels and casinos, reinforcing trends that improve customer experience. Hotels especially have noted the value in implementing new technology with the intention of simplifying the guest experience and enforcing contactless interactions.

Allowing customers to have control over their stay with mobile check-in and check-out has reduced the need for physical employee and guest interactions. Some surveys indicate that up to 90% of hotel guests prefer that hotels offer mobile check-in to eliminate unnecessary in-person encounters. This coincides with the trend of keyless check-in, which allows guests to use their mobile phones as key access to their hotel room.

We anticipate the mobile trend allowing contactless payment and mobile bookings will extend to allow guests to also make purchases and even gamble. In short, operators in the gaming and hospitality industry are laser focused on high-tech/low-touch solutions using smartphones, and it is likely this technology will become commonplace in the years to come.

TREND #5:

EXPECT MORE M&A ACTIVITY

With the rise in online gaming activity and the effects of the pandemic and attendant changes within the industry, we expect merger and acquisition activity will continue. Specifically related to online gaming, we have recently seen significant M&A activity involving some of the largest gaming operators in the world. In early 2021, MGM International made an unsolicited \$11 billion offer to buy Entain, a sports betting and gambling company based in the Isle of Man. Transactions of this magnitude demonstrate the shift in consumer preference and forward thinking from big hospitality leaders about where the industry is headed. Pre-COVID M&A drivers, such as market fragmentation, the benefits of scale and of multi-brand/product platforms, improved bargaining power with online travel agencies and expanded loyalty factors, will continue to be driving forces going forward.

Larger operators with deeper resources have been better able to withstand the effects of the pandemic and are well positioned to acquire smaller/midsized properties, potentially at a discount from their pre-pandemic valuations and especially with smaller operators starting to exhaust their resources.

Although we are hopeful that the pandemic will be fully contained in 2021, its effects on the gaming and hospitality industry will be long-lasting. Making the right strategic moves, including, as appropriate, adopting new technologies and online gaming platforms, will likely be at the forefront of board room discussions as gaming operators navigate through 2021.

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