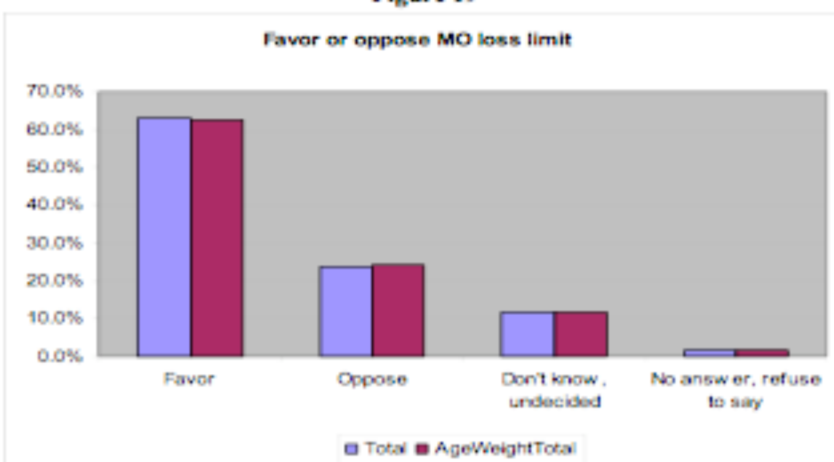
Overview and Analysis of the Missouri Gaming Commission Statewide Market Study

Casino Watch
exposing the dark side of gambling

In the recently released statewide market study entitled, "The Missouri Gaming Market Study: Gamer Profiles and the Estimated Impact of the New Gaming Facilities on the State of Missouri and Missouri's Gaming Industry," the Missouri Gaming Commission enlisted the services of the University of Missouri- St Louis. The goal of this study was not only to look to viable areas for expansion but also to learn about the gambler so as to better form expansion policies. Casino Watch has put together a review and analysis of the study and provided it below. The methodology for collecting data seems to be of high academic quality. Most of the conclusions the researchers make follow soundly from the data. There are a few areas, however, where the conclusions drawn from the data are not sound in their logic and we have indicated that below. The Missouri Gaming Commission's study can be found in its entirety at www.mgc.dps.mo.gov. If we can be of any assistance in answering questions or providing greater insight into the data and conclusions of this study, please feel free to contact us at 636-536-1884.

Question: Missouri currently has a law that limits the amount of money a single player can lose to $500 for every 2 hours at a gaming facility. Do you favor or oppose having a $500 loss limit? (starting on page 22 of the study)

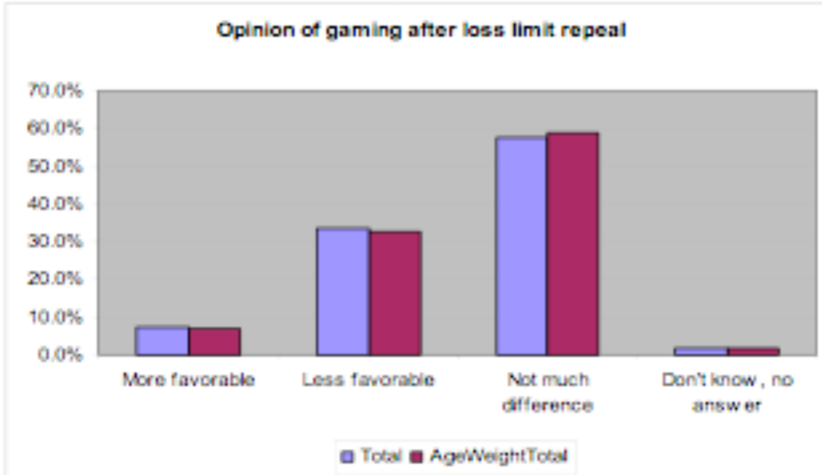
Figure 19



The results are quite clear, over 60% of Missourians support the loss limit, while less than 25% of Missourians favor removal of the loss limit. Even "high rollers" (those with income levels of $150,000 and above) support the loss limit at just under 60% with less than 30% in favor of removal. The only income group with over 30% support for removal of the loss limit is those with incomes of $120,000 to $150,000 and there support for removal is still under 35% with nearly 60% supporting the current loss limit law. ***However, the largest group of Missourians, those with incomes between $30,000 and $120,000, overwhelmingly support the loss limit with just under 70% in favor of keeping it and less than 25% in favor of removing the loss limit.***

Question: If the $500 loss limit were eliminated, would your opinion of having gaming facilities in Missouri be more favorable or less favorable–or would it not make much difference either way? (page 24 of the study)

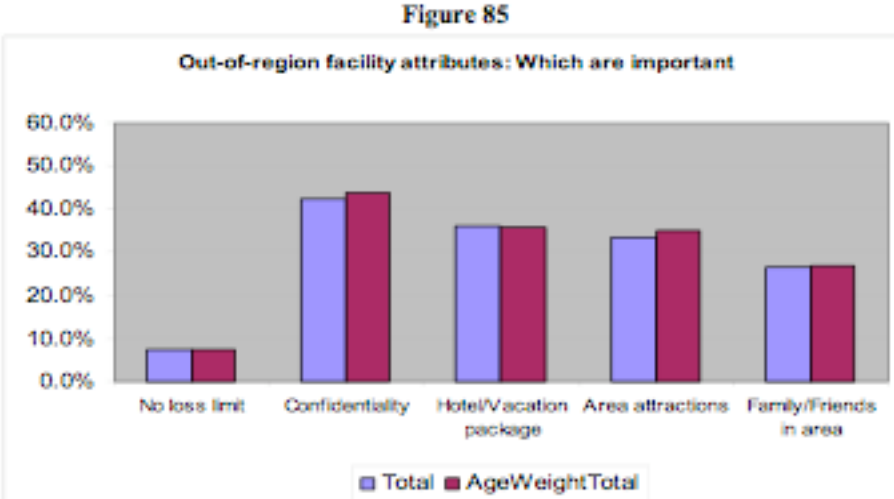
Figure 23



Further support for the loss limit is shown here. Only 7.2% would have a more favorable opinion of gambling in Missouri if the loss limit were removed. ***However, 33.7% would have a less favorable opinion of gambling in Missouri if the loss limit were removed.*** There would be a net loss of support for gambling in Missouri of 26.5% if the loss limit were removed. These results indicate that a Missouri policy maker would be ill advised to remove the loss limit. This particular finding shows that a large number of Missourians would look less favorably upon those who have removed the loss limit. More importantly, there is an initiative petition submitted by the casino industry to the Secretary of State to remove the loss limit that calls for a vote of the people. ***There doesn't seem to be a reason for a legislator to risk angering their constituents on this issue, when the people will have a chance to vote on this very issue in August or November of this year.***

Question (global sample that has visited an out-of-region facility in last 5 years): Which of the following attributes are important to you in deciding if and where to visit a distant gaming locale? (page 60 of the study)

Figure 85



This question is specifically looking at decisions people make for out of region gambling only. This question is not asking people how they decide which casino to attend in a regional area, for example a Missouri gambler looking to cross the boarder into Illinois or Kansas. This is of particular importance as proponents of removing the loss limit try to build a link between people not supporting a loss limit and wanting to protect their confidentiality. Of all the attributes to determine if someone would visit a gambling location outside of the region the least important was absence of a loss limit, with approximately 5% citing it as a reason. The most important issues were confidentiality, the hotel or vacation package, area attractions and having family or friends in a nearby area. This makes intuitive sense as these patrons are looking for "vacation experiences".

The study makes a very curious argument. They claim that people have concerns for protecting their confidentiality (over 40%). They also explain that the loss limit requires a gambler to provide confidential information to the casinos. They therefore conclude that people must be opposed to the loss limit because the issues are intertwined and confidentiality is a major concern when selecting a casino.

There are several problems with such a claim. First, the best way to determine if respondents are opposed to the loss limit is to ask directly. When directly asked about support of the loss limit the clear majority of respondents said they favor the loss limit and when asked directly about whether it influenced their decision to visit an out of region casino they clearly indicated the loss limit was the least of their concerns. To try to draw a correlation between a person's opposition for the loss limit and their want to keep their confidentiality protected is by definition a fallacy of composition. There is no clear link and when directly asked there was no support for such a correlation.

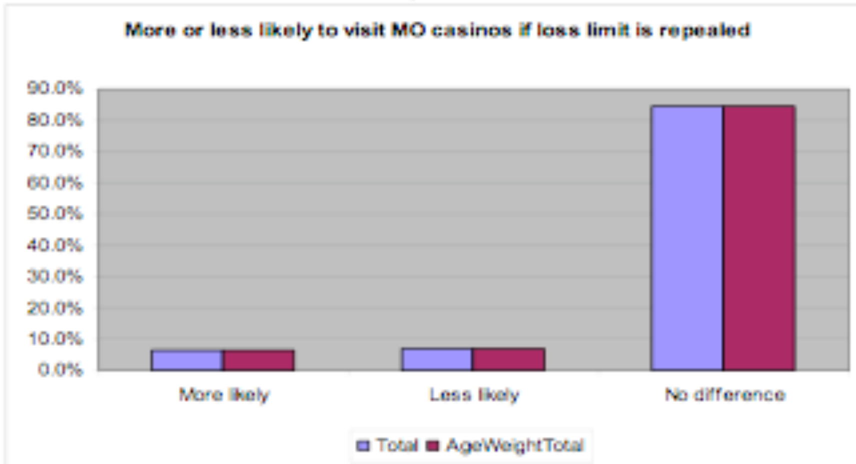
Second, the study on several occasions draws a link between the loss limit and confidentiality, but they don't ask a direct question about opposing the loss limit on confidentiality grounds nor do they indicate that such a question was asked but not presented in the study. Instead, the study attempts to make a circumstantial case around removing the loss limit on confidentiality grounds. A direct question could have been asked but it was either not asked or not included in the study.

Third, the idea of wanting to protect confidentiality may have different meanings for different people. For some people they may not want to give any information to a casino and may want to be completely anonymous and for others they may simply want to know that their information would be held in confidence if they gave it to the casino. More over, when considering how many people in other states voluntarily choose to sign up for players cards to receive comps and prizes, its hard to imagine that simply giving out personal information to a casino is that troubling to those in Missouri. Its quite clear that if the loss limit were removed, the diamond members and everyone who has become accustomed to the players rewards cards will choose to give their confidential information to the casino in exchange for the comps

Finally, the scenario outlined by this question is specific only to out of region casinos. As explained above, the question is looking to gamblers who leave the region not those local gamblers who are deciding whether or not to cross the boarder to gamble. On page 42 the study indicated that they asked gamblers to identify which local casino attributes they look for when choosing a casino. Again the least important factor was the loss limit. The most important factors were access time and distance of a casino, the quantity of slot machines and the quality of bars and restaurants.

Question: If the $500 loss limit for Missouri's gaming facilities was eliminated, would you be more likely or less likely to visit casinos in Missouri or would it not make much difference either way? (page 40 of the study)

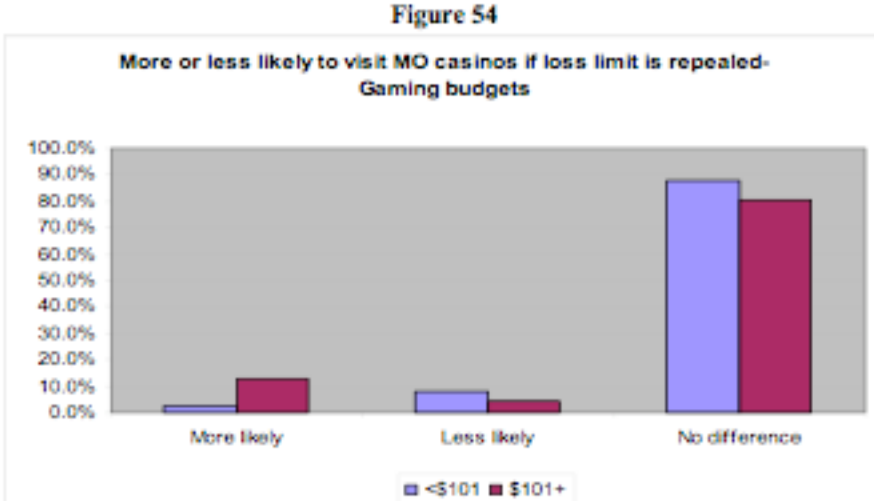
Figure 52



This is a great question which shows 84% of the respondents said the removal of the loss limit would not make a difference. 7% indicated that they would be more likely to visit a Missouri Casino but 7% also said that if the loss limit were removed, then they would stop going to the casino. This represents a clear wash and indication that the total number of people visiting would not be different.

The survey chose to analyze the income level of those people who would go to a casino verses those who would stop going. It indicated that there would be an increase in those patrons to the casino who made more than $120 thousand a year. This finding is consistent with the notion that a percentage of "high rollers" could be more likely to attend a Missouri casino. However, this is not an indication that those who earn more income spend more money in the casino nor is it an indication that the casino and by effect the state will bring in any new revenue.

Figure 54



To determine if a person will spend more money in the absence of a loss limit you must look to the budgets that people make for gambling. The study divided gamblers into two budget levels, those who budget under $100 per visit and those who budget over $100. Of those who budget over $100, 13% were more likely to attend a Missouri casino after the removal of the loss limit and 3% less likely to attend netting a 10% increase in those who budget to gamble over $100. The study therefore concludes that with an increase in "high rollers" there will be an increase in the AGR.

There are several problems with such a conclusion. First, just because someone has budgeted to spend more than $100 does not mean that they budget as high as the $500 loss limit nor does it mean that they would budget more than $500 if the loss limit were removed. On a separate and unrelated question the survey asked how much do people budget to spend when they attend a casino. They divided respondents answers into six specific categories; less than $25, $25 to $50, $50 to $100, $100 to $250, $250 to $500 and $500 and above. However, the study did not compare those respondents' answers against the above question dealing with visiting a Missouri casino if the loss limit were removed. They instead choose to group the data into the above or below $100 budget. Choosing to look at answers based on a budget less than or more than $100 gives policy makers no real idea how much people spend or plan to spend. The study should have grouped respondents by those below and above a $500 budget. The only way to have a clear understanding of how many people are being limited by the $500 loss limit and the only way to draw conclusions based on any potential increase to the AGR is by grouping respondents answers above and below $500. Because the correct grouping was not done the correct data was not obtained and the study was forced to make a circumstantial case for removing the loss limit.

The second problem with this conclusion is that it fails to take into account and balance out the amount of loss that will be seen when patrons chose to stop going to casinos as a result of the removal of the loss limit. Of those who budget less than $100 per trip to the casino, 2% would be more likely to go to a Missouri casino but 9% would be less likely to attend netting a 7% loss in attendance by those who budget less than $100. The data gathered by the study indicates that 66% of respondents budget less than $100 per gambling visit and only 4% budget over $500. The 7% decrease in the largest group of gamblers juxtaposed to an unknown (or an at best 10%) increase from the 5% group could easily yield a net loss not a net gain in AGR. Unfortunately, there is no clear way to determine from this study how much of an increase or how much of a decrease would occur if the loss limit were removed because the proper information is withheld as explained above. Just because you make a high income or you have a higher gambling budget, there is no clear indication that you would spend more money in a casino nor is there any clear indication that the Missouri AGR would increase. Any claims based on such fallacious assumptions are invalid.