Casino Watch

POLICYBRIEF

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Providing Analysis and Research on the Dangers of Gambling

Missouri's Competitive Outlook: Is the loss limit hurting casinos?

By Joseph Day

The biggest argument proponents of removing the $500 loss limit make is that Missouri casinos are at a competitive disadvantage. Looking past the obvious fact that promoting Missourians to lose even more money violates the motto of the state and is just plain bad policy, it's important to take a close look at competition and where Missouri really stands.

Almost every year, revenue from Missouri Casinos has gone up by double-digits. In 2000 Missourians lost around $900 million. Now just 7 years later Missourians lose $1.5 billion annually. It's hard to believe that Missouri casinos could bring in $1.5 billion if they are at a competitive disadvantage. There should be long trends of Missouri casinos collecting less money while surrounding casinos were increasing revenues. Instead we see double digit increases in revenue by the casino industry.

Further, Missouri casinos are seeing these double-digit increases despite the fact that attendance numbers are declining each year. This proves that even with a loss limit the amount of money each gambler is losing in Missouri casinos is also increasing. Obviously if the loss limit were putting Missouri casinos at a competitive disadvantage then we should see the amount of money each gambler loses declining and given the lower attendance rates, that would mean revenues would be declining year after year not increasing by double-digits.

So the question is why. Why do people still choose to come gamble in Missouri if the loss limit is so bad? The answer lies in what it means to compete. Anytime a business wants to compete they need to know what their customers are looking for and then try to deliver those qualities in their business. The Missouri Gaming Commission's (MGC) own Market Survey explains what those qualities are for gamblers. They were asked which factors influenced their decision to visit one casino over another. The least important factor was the loss limit. More importantly, the top factors are access time and distance of a casino, the quantity of slot machines and the quality of bars and restaurants.

Gamblers choose to gamble in Missouri casinos because of the quality of the facilities. The amount of money that can be lost is of no real consequence to gamblers. In fact, the MGC's Market Survey further explained that 96% of gamblers budget less than $500 to spend at the casino. Those factors explain how Missouri casinos, even with a loss limit, continue to show growth and strive in a competitive environment.

Missouri is not at a competitive disadvantage, and it's attracting gamblers into the state despite a loss limit. In the Kansas City market 40% of the gamblers come from KS despite the existence of tribal casinos and The Woodlands. The St Louis Market draws in a considerable number of gamblers from Illinois and the opening of Lumiere Place has attracted even more. More importantly, the casino in Caruthersville draws gamblers from four different states - all of this with the existence of a loss limit.

Without question Missouri casinos are not at a competitive disadvantage. Casino revenues are up because they have good proximity to gamblers and provide desired levels of slot machines and quality bars and restaurants. They are attracting people from the surrounding states and growing area markets like St Louis and Caruthersville. The vast majority of patrons won't spend more than the loss limit. All removal of the loss limit will do for the State is make vulnerable the families of compulsive gamblers. The loss limits slow down those with addiction and helps provide the balance the voters of Missouri wanted when they agreed to riverboat gambling. Obviously, Missouri is not at a competitive disadvantage and that argument ought to be rejected.