

The Return of the Roaring '20s

As the world recovers from Covid-19, the stage is set for a comeback; will Vegas lead the charge?

By Steve Gallaway and Jack Gallaway

The 100-year anniversary of the Roaring '20s is upon us as the world finally begins to look toward new beginnings in a post-pandemic world. Many have pointed out that the Spanish flu (which preceded the Roaring '20s) is analogous to Covid-19, presenting a similar potential opportunity for the world to emerge from a pandemic with a new era of historic economic prosperity, which would include a boon to the hospitality, F&B and tourism sectors.

As eager as the world may be to return to “normal” life, it is vitally important that safety and health practices do not give way to pent-up demand and impatience. Luckily, customers see a light at the end of the tunnel with vaccines being distributed and certain destinations gradually lifting restrictions. While reintroducing global travel and entertainment will take time, destination markets around the world will look to regain their share of the soon-to-be-rejuvenated global tourism market.

With its existing infrastructure, reputation for innovation, and legacy as the gold standard in hospitality, the opportunity presents itself for Las Vegas to return to its heyday as the premier destination for fun. If Las Vegas and other destinations can reach past short-term gains in favor of the long-term opportunity, a return to the Roaring '20s is here for the taking.

The Spanish Flu in the United States

The Spanish flu was one of the most devastating pandemics in recorded history, with many estimating up to 100 million deaths occurred during the pandemic, or roughly 5 percent of the global population at the time. After initially spreading throughout Europe in 1918, the Spanish flu made its way to the United States through soldiers returning from combat in World War I, where the disease spread among troops gathered in close proximity.

With all efforts and attention at the national level focused on the war in Europe, individual cities were left to make their own decisions about how to stop the spread of the Spanish flu. Poor decision-making followed in some areas where media and local officials felt pressured to stay focused on the war. This resulted in a wide range and a varying degree of economic and social impacts in cities across the United States.

By the summer of 1919, the pandemic began to subside as flu patients either died or developed immunity. Strains of the Spanish flu continued to spread in waves with a less lethal effect, and variants of influenza that exist today can still be traced back to the 1918 Spanish flu. (The first influenza vaccine would not be developed until 1942.)

Economic Impacts and the Roaring '20s

History tends to regard the Spanish flu as more of a symptom of a period marked by limited progress and low morale in the 1910s. With World War I in the limelight, the influenza was largely denied the attention it deserved, which shows in the comparative lack of cultural and historical accounts of the pandemic. Additionally, with the limited technology and resources at hand, scientists of the day lacked the ability to fully understand the influenza while it was so widespread.

As the U.S. began to emerge from the Spanish flu pandemic, several concurrent factors contributed to the economic growth and cultural shifts that would characterize the Roaring '20s. After the war, the American industrial engine shifted from wartime production to Model Ts and radios. Women were granted the right to vote with the suffrage movement and the passage of the 19th Amendment, signaling a major shift in gender roles and freedoms for women—flappers are to this day an iconic symbol of the Roaring '20s.

Prohibition was passed in 1920 through the 18th Amendment, following years of efforts in the temperance movement and other religious causes to ban alcohol consumption in the U.S.

Prohibition quickly proved ineffective, with sophisticated bootlegging operations and the emergence of the speakeasy, which fueled the Jazz Age, further cemented the culture surrounding alcohol consumption, and allowed Americans to roar with fun. Interestingly, the repeal of Prohibition would not come until the 1930s, when states had grown in dire need of revenue and economic stimulus. Some could argue that this is directly analogous to the rapid growth of sports betting today as states yet again look for new revenue sources.

Overall, the Roaring '20s were a result of the Western world emerging from a relative period of darkness throughout the 1910s. Still, the economic transition from the Spanish flu into the Roaring '20s is not commonly understood. Markets were far more limited than they are today in terms of measuring total economic output; GDP would not become a widely accepted measurement until the Bretton Woods conference in 1944. It was perhaps this inability to understand the economy that allowed the rapid growth of the 1920s to remain unchecked and eventually crash at the decade's end.

Covid-19 Implications

It is understood that influenza viruses and coronaviruses are epidemiologically different. Covid-19 patients and flu patients face different symptoms

and prognosis, and only so much can be applied from the Spanish flu to the novel coronavirus that the world faces today. However, social mitigation measures have been similar between the two pandemics, and it is clear that the economic impact of a pandemic illness is only made worse by an uncoordinated response.

A June 2020 research paper led by two Federal Reserve economists evaluated the impact of non-pharmaceutical interventions (NPIs), such as quarantine, isolation, social and physical distancing, good personal hygiene, and other similar measures. The study assessed the relationship between NPIs, mortality, and manufacturing output in 43 U.S. cities during the Spanish flu outbreak. It found that NPIs were effective in mitigating mortality rates among those cities that implemented them, and that these NPIs did not lead to worse economic performance. It was rather the influenza itself that caused the greatest economic impact, which was thus sustained by uncoordinated and inconsistent efforts to stop outbreaks in certain cities.

Despite the challenges that still exist today in implementing pandemic response measures, the modern world can at least benefit from 100 years of scientific and technological advances, as well as a public health policy framework that did not exist in 1918. There are two Covid-19 vaccines already in distribution less than one year since the first U.S. lockdowns were announced in March 2020—a monumental achievement. The modern world is also closely connected through telecommunications that enable contact tracing efforts and public health bulletins to be posted with wide-ranging and immediate effect.

So, as the U.S. draws nearer to 500,000 Covid-19 deaths in an economy that remains far from reopened, people are even more frustrated and eager to return to “normal.”

Returning to Economic Growth

Unlike in the 1910s, the U.S. economy in the 2010s was characterized by significant growth, with GDP growing at an average annual rate of 4.1 percent, reaching \$21.4 trillion in 2019. The nation had reached full employment, discretionary income levels increased with a federal income tax cut, and the gig economy made commercial powerhouses out of the likes of Uber and Airbnb, allowing travel and tourism-related industries to enjoy particularly high levels of growth. Most pre-pandemic estimates indicated that these industries encompassed over 10 percent of the global economy.

While the economy continued to grow into the early months of 2020, talk of a potential recession had been circulating for some time prior to the Covid-19 pandemic. Given the nature of the business cycle, many felt that there was another bubble looming similar to the housing bubble of the 2000s, but there was little consensus as to the nature of the new bubble or when it might pop.

It was Covid-19 that became the unforeseen and unstoppable force that set the economy back, and it was the tourism and hospitality sectors that were among the first and the most heavily hit.

Social distancing measures during the Spanish flu undoubtedly resulted in economic losses as well, particularly for venues such as restaurants, bars, theaters and other social settings. However, the global economy of today is far more interconnected than that of 1918, and tourism offerings today rely far more heavily on synergies between other offerings worldwide.

International travel is significantly faster and more accessible. Customers can discover a new destination online before booking cheap travel with ease, and a business as small as a deli can maintain a global network of customers at its fingertips.

Leading up to the pandemic, the supply and demand for tourism was truly

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Casino Innovation Accelerated

A year ago, the global gaming industry was watching the changes that started in Asia and then accelerated with the spread of Covid-19 around the globe, initiating the Great Shutdown. The gaming and hospitality industry has never been one that rests on its laurels, always trying to anticipate, innovate and enhance the guest experience.

This was never truer than what the industry experienced over the last year as it needed to evolve with government directives that allowed casinos to reopen with restrictions.

Health and safety measures have never been more important or heavily focused than they are today. In addition to the testing of employees and providing checks on guests entering the facilities, new products continue to promote evolution in the industry in redesigning the current and potential future flow of the gaming floor, as well as non-gaming amenities across the board.

Innovators include companies such as Screaming Images, which was known for its wraps and larger-than-life signage, who recrafted its model to incorporate its ShareShield technology.

Other standout companies include HBG Design and its “superbox” concept that reimagines the casino floor with Plexiglas, filtration and other technology to enhance the health and safety measures of the players. Other companies such as Environ Safety have developed science-based technology in air and surface purification to help stop the spread of Covid-19. These are just a few of the countless examples of the many products that will continue to evolve and be introduced in response to the Great Shutdown.

Innovation will continue to drive and advance the industry in the coming months and years as properties are able to increase their capacity levels. While the vaccine is viewed as the greatest opportunity to combat the pandemic, it will also take innovation that in the end will offer an enhanced guest and employee environment. These are also important to offer peace of mind, showing the industry’s commitment to the people that it serves.

The gaming floor of 10 years ago is different than the one that we all experienced over the past year. The advancements of the last year will continue to alter the gaming floor in ways that we initially did not imagine. However, those advancements will make the industry stronger in the years ahead as the gaming industry continues to reimagine the experience and accelerate innovation.



HBG Design's "superbox" concept

worldwide in scale. Covid-19 may prove less deadly than the Spanish flu, but it has petrified the global tourism infrastructure built over the course of the last decade. The return to pre-pandemic economic prosperity may hinge on the world's ability to revitalize this global web of travel, tourism and hospitality that accounted for one out of every 10 jobs worldwide.

The customer is always right, and the customer wants to see the return of the Roaring '20s. The question is whether or not the tourism landscape of days past will be adapted to serve the refined interests of post-pandemic customers.

Challenges Ahead for Las Vegas

The economic impact of the pandemic is most evident in destination markets such as Las Vegas, where the vast Strip resorts, as well as other hotels, casinos, restaurants, theaters, and other businesses that compose the primary economic engine of Nevada, were forced to close in March 2020. As pandemic conditions stabilized, casinos throughout the country were able to reopen with limited amenities and revamped sanitation programs.

This greatly benefited many local and regional gaming markets, such as those located throughout the American South, Midwest, and Indian country, where casino gaming revenues quickly returned to pre-pandemic levels. Certain areas even saw gaming revenue increases in the months after reopening. However, as Las Vegas relies much more heavily on tourists traveling to the area by air, the market remains well below pre-pandemic levels in terms of performance.

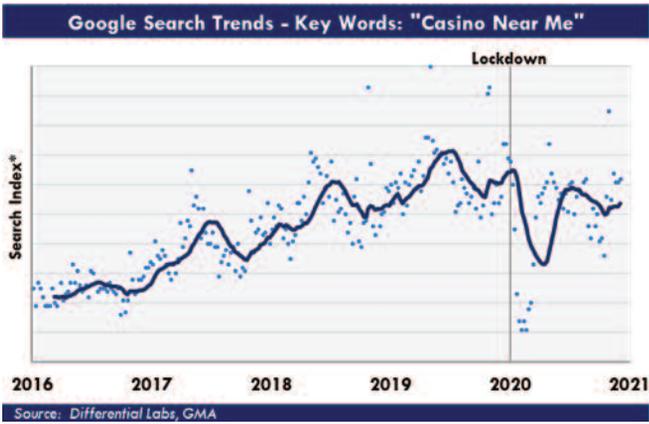
Following the Covid-19 outbreak, McCarran International Airport in Las Vegas recorded a 55.1 percent year-over-year decline in domestic passenger volume in 2020, while international passenger volume dropped by nearly 80 percent. Accordingly, Las Vegas Strip gaming revenue in 2020 was cut in half. Additionally, revenues from ancillary amenities such as hotel rooms, dining outlets and nightlife options were decimated.

With these amenities either closed or significantly reduced, far fewer jobs were needed on the Strip to keep operations running. This resulted in even greater reductions in regional employment when considering indirect and induced impacts. The losses of jobs and income further hits the local Las Vegas gaming market, where gaming and hospitality workers are a primary customer segment.

Las Vegas had been struggling in the years prior to the pandemic as the costs of gaming, leisure and entertainment became prohibitive. Visitation in Las Vegas had plateaued, including a period of slight decline prior to the pandemic, as the rest of the country experienced substantial growth. Operators in the market compensated with hidden charges such as resort fees and parking fees, opting for short-term returns at the expense of a long-term relationship with loyal customers.

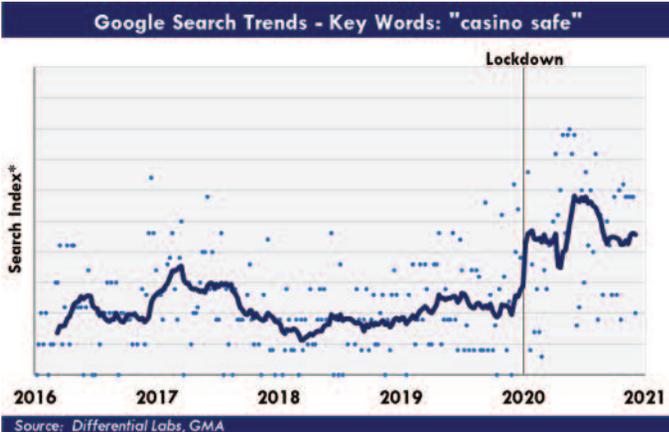
Meanwhile, other destination markets such as Nashville, Austin, Seattle and New Orleans saw record growth in tourism leading up to the pandemic. With inflation levels unknown and prices rising precipitously during the rollout of economic stimulus payments, Las Vegas may be positioned to regain its market share of destination travel at its current price level. However, it will continue to face heavy competition from other destination markets.

Differential Labs, the leading AI company for the gaming and hospitality industry, provided an index of Google search volumes on select topics over the last five years. Leading up to the pandemic, American consumers' interest (from a search perspective) in a trip to Las Vegas appeared to be declining since 2017, while interest in local casino options continued to rise. This further illustrates that searches for "Casino Near Me" decreased sharply after lockdowns were announced, followed by a sharp increase, nearly returning to pre-pandemic levels. People are looking for casino trips, but not necessarily to Las Vegas.



For Las Vegas to fully reopen, it will need to rely on the reopening of each and every function of the global tourism ecosystem, from fully operational bars to re-opened airline routes. All of this will require every party involved to exercise safe and healthy practices that are suited to all customers in the market.

Not surprisingly, interest in casino safety remains well above pre-pandemic levels, including above the peak in 2017 in the wake of the deadly mass shooting that occurred in Las Vegas. The key difference now is that in the eyes of the customer, there are several more factors to consider in casino safety beyond in-house security. This is amplified for Las Vegas and other destination markets that will rely on health and safety measures in long-distance transportation and other supporting sectors. Players want to return to the floor, but they want to return to a safe, healthy and comfortable casino environment.

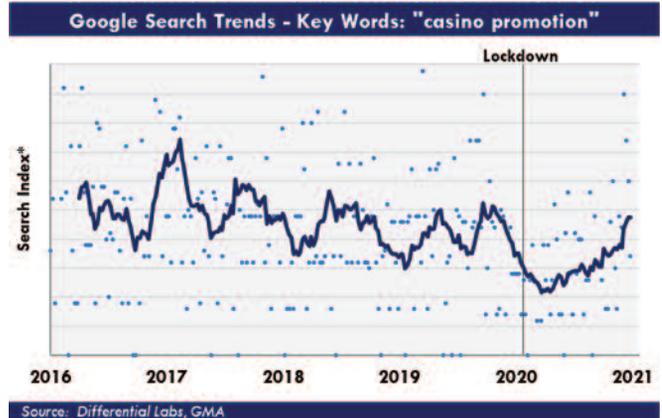


The Opportunity for Las Vegas

Despite the challenges that remain in fully reopening with the appropriate safety precautions, customers continue to express a desire to return to Las Vegas. Even as visitation growth to Las Vegas had flattened in the years prior to the pandemic, customers continued to express interest in returning to Vegas, although this interest may not have been converted into actual trips. People want to go back to Vegas for the fun that it used to provide.



Google search trends reveal that interest in casino promotions, although relatively scattered over time, is still consistent with pre-pandemic behaviors, despite a slight dip in early 2020. In other words, customers want value for their dollar. If Vegas wants these customers back, operators must listen to what they are saying and give them what they want.



When the pandemic finally subsides, customers will turn first to travel, tourism, leisure and entertainment offerings that had been put on hold. The greatest challenge facing Las Vegas will be in reestablishing itself as the entertainment capital of the world, and providing customers value for their dollar—something that most Strip resorts have not done for years. However, the opportunity is ripe for Las Vegas to redefine the tourism and entertainment world as we know it, as it has done countless times before.

The Roaring '20s will be back again soon. Hopefully, the Las Vegas Strip leads the charge.

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