

### THIS WEEK

- Boston challenges Wynn licence
- PokerStars scraps rake rises
- Columnist: Bakhulule Maluleka on Simulated Gaming
- Tweets of the week

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#### TOP STORY

## MACAU REPORTS ANNUAL DROP

Region's yearly revenue declines for the first time



Grand Lisboa hotel and casino in Macau

Macau casinos have suffered an annual fall in revenue for 2014 – the region's first yearly drop since records began in 2002. Seven consecutive months of revenue decline played their part in an annual slump of 2.6% to 351.5bn patacas (\$44bn), with December proving the icing on the cake, as it has been recorded as Macau's worst ever month for revenue generated. The 30.4% year-on-year fall in December to 23.29bn patacas (\$2.91bn) topped the previous record drop of 23% that was posted in October 2014.

Despite the disappointing year, the former Portuguese colony's annual revenue remains at nearly seven times the amount generated by Las Vegas, and it is still the world's biggest gaming hub.

Analysts anticipate revenues will continue to decrease in the first quarter of 2015, with Union Gaming Group analyst Grant Govertsen commenting: "All-in we would expect first quarter 2015 gross gaming revenue to decline in the low-to-mid 20% range. This forecast largely assumes that there is no material change in either mass-market or VIP trends."

An anti-corruption campaign by the Chinese government is thought to be

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one of the reasons behind the decline, as it harmed VIP revenue, which fell by 40% year-on-year in December, with high rollers accounting for two-thirds of Macau's casino revenue.

The crackdown has led to \$73bn of market value in companies being wiped out, which includes Wynn Macau and SJM Holdings.

A lack of tourism could also have had an impact after China restricted access to Hong Kong following pro-democracy protests there, as many tourists combine trips to the area with visits to Macau. The Macau government has also reduced the number of days visitors can stay.

The casino industry in Macau, a semi-autonomous, special administrative region of China, has expanded eight-and-a-half times over since the first foreign operation, Sands Macao, owned by American billionaire Sheldon Adelson, opened in 2004.

That followed a change in law in 2001 when the authorities brought an end to Stanley Ho's 40-year government-sanctioned monopoly in the region, which is the only area of China where land-based gambling is legal.

## KEY POINTS

- Annual casino revenues in Macau have dropped for the first time
- December saw Macau post its worst ever monthly revenue
- Analysts say problems likely to continue into 2015

## USA

## BOSTON SUES GAMING COMMISSION

City unhappy after Wynn granted casino licence



Boston Mayor Martin Walsh has filed a lawsuit against the Massachusetts Gaming Commission (MGC) after its decision to grant Wynn Resorts a casino licence in Everett.

Wynn Resorts was approved for a permit in September last year, after the MGC voted 3-1 in its favour over Mohegan Sun. It is to build a \$1.6bn casino in the area.

Walsh believes that Wynn should not have been granted the licence due to recent indictments of conspiracy to commit wire fraud, wire fraud, and aiding and abetting against the former landowners of the site where the casino will be built.

The suit states: "The Gaming Act prohibits a casino license application from advancing if a convicted felon has a financial interest in the premises on which the casino will be located."

MGC has maintained its position that the decision was appropriate.

## KEY POINTS

- The Massachusetts Gaming Commission is being sued over its granting of a casino licence to Wynn Resorts
- Boston Mayor Martin Walsh wants to stop the project from going ahead

## LEGAL

## POKERSTARS SCRAPS RAKE CHANGES

Rake returns to pre-November level

Online poker operator PokerStars is discontinuing its plans for rake increases, with the exception of those that apply to its Spin & Go tournaments.

The initial plans, implemented in early November, included an increase in rake for all of the brand's heads-up hyper-turbo sit & go tournaments, with more changes being set to follow in 2015.

However it was announced on the PokerStars blog by Eric Hollreiser [pictured], the operator's head of corporate communications, that rake would be returning to its original level in most cases.

Hollreiser said: "We will not increase any rake in 2015 other than in jurisdictions where we have already or will experience increased gaming duty or VAT."

## KEY POINTS

- PokerStars will not be moving forward with plans to increase rake

Tweets of the week 

"I asked numerous lawyers at #Revel sale hearing: Which will get resolved 1st: Revel sale, or the Middle East.

Each said Middle East"

Associated Press reporter Wayne Parry [@WayneParryAC] on the Revel Casino sale saga

"Gambling is not actually regulated in this country. It's the Wild West, and the Gambling Commission is the venal sheriff." Matt Zarb-Cousin [@mattzarb], spokesperson for Stop the FOBTs, on UK gambling

"Look for potential revenue from daily fantasy sports deals to be considered in next NBA salary cap negotiations" ESPN gambling writer David Payne Purdum [@DavidPurdum]

## GUEST COLUMNIST

## "A SIMULATED SOLUTION"



by **Bakhulule Maluleka**

*Digital marketing agency content producer*

"It seems the games industry may be reaching the crescendo of a long-term battle towards monetising games which are sold and distributed digitally. Right now, the mainstream argument remains whether games should be sold to people or given away for free and then monetised later. When it comes to US casinos and gambling, the argument seems to veer off course because most of the casinos would clearly like to monetise from the get-go, but state and national legislature often prevents them. The main question for any casino to ask is: what about all of the states where online gambling is still illegal?"

As a business, it's all well and nice to know that within the confines of the state you operate in, your business should be able to thrive, especially since it's difficult for you to corner existing markets where you had no previous exposure because of legislation.

However, this is not enough when considering that the 2013 census taken by the US department of commerce reported that 78.5% of all American households have a desktop or laptop computer, while 63.6% have a handheld mobile computer such as a smartphone or tablet.

Additionally, according to the US and world population clock, the US has over 300 million inhabitants. As such, just by crunching the numbers, over 230 million people have a high-speed internet connection, but not all of these people are necessarily willing or able to walk into a land-based casino.

Meanwhile, more than 50 million US citizens are estimated to hold casino reward cards which they use to accumulate and redeem points within a range of different casinos. It's obvious that support for casinos is there and the market is open to penetration. In terms of mobile, many people are backing the free-to-play or 'freemium' model. This sees games given away for free and then at some point in-game purchases (micro-transactions) are offered to the player, either to get to higher levels or make it easier to finish the current level.

However, the reality is that many game designs don't readily lend themselves to freemium or other forms of free-to-play offerings. The next big step is Simulated Gaming. It bypasses the legislature aspect by making sure that the only thing being purchased is virtual tokens, which are then used to gamble. Better yet, the Simulated Gaming model is a closed system where traditional casinos are able to integrate their land-based reward point programmes with their online casinos, all in real time.

The current patent for cross-convergence between land-based casinos and their online counterparts is held by the GameAccount Network. Its iBridge Link System, which is being implemented across the Empire City Casino site, ensures that all those who want to gamble are able to, purely by using actual money only once in the entire transaction scheme.

The breakdown is simple: you open an account with a credit card, buy virtual tokens, play with those virtual tokens, win virtual payouts and use those to continue playing either online or offline. When you head offline again, you are still not contravening any laws since you have only transferred casino loyalty rewards points (virtual tokens).

The longevity of such a system lies in convincing people that this detour from offline to online and offline again is worth it in the long run. Players with the patience to go the full distance may end up reaping even more rewards than usual, seeing as most online casinos are actively looking for customers. This means that the bonuses and promotions will typically be greater than land-based offerings, because of the perceived burden of convincing people. Once states come around, it should be a quick overhaul to make the virtual tokens a straight paid-play model.

As such, it seems Simulated Gaming is a solution to a current problem, and the best one that exists for casinos in 'outlaw' states, where people still want to gamble but within the boundaries of the law."

*Bakhulule Maluleka works as a content producer for digital marketing agency The Media Image. He has a keen focus on gambling and gambling industry news, and is also a budding entrepreneur*

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