



# WEEK 28

## FRIDAY 8 JUL 2016

### THIS WEEK

- Calls for more a cohesive problem gambling effort
- ESports launches new members' association
- California i-poker negotiations sour
- Guest Column: Tim Heath, CoinGaming

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#### TOP STORY

## WHAT CAN WE LEARN FROM THE GC STATS?

### Overseas operator figures have led to a GGY increase, but there are warning signs



Dates were adjusted for the latest UK gambling accounting period (excluding Northern Ireland), with results being shown for October 2014 to September 2015, as opposed to the standard April-March period.

The bottom line figure was £12.6bn in total gross gaming yield (GGY) being reported as a combined total for all sectors, up from £11.2bn for April 2014 to March 2015. Here were the two main pointers that can be taken from the figures overall:

#### A negative slant on industry stories is becoming clearer

When reporting the figures, the Guardian ran the headline: "British gamblers lost a record £12.6bn last year," and it takes few guesses to work out which particular area of the industry it placed its focus on, which we will come on to later.

For the Daily Mail, the headline was: "Gambling losses increase sharply to £12.6bn," stating that the total was a rise of more than a third on five years ago, though the article did not mention that online figures for overseas operators over an annual period were not included until this report. Again, a key focus was placed on one particular betting product.

The Financial Times ran the headline: "Gamblers caught on £12.6bn losing streak," **CONTINUED ON NEXT PAGE ►**

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but did appear to provide more balance, using quotes from Ladbrokes and the Association of British Bookmakers.

#### B2 machines are more important to retail sports-betting outlets than ever

While we cannot see a direct year-on-year comparison for the latest figures, they do show that the £1.7bn in off course GGY generated by B2 gaming machines, up by 2% from March 2015, accounts for 56% of the £3.06bn total off course GGY for the sector.

Given that the number of betting shops has retracted by 2% to 8,809, shops are evidently increasingly reliant on B2 gaming machine revenue, despite the fact that the number of B2 gaming machines available in shops also decreased, with the 34,707 total down by 0.5%.

#### KEY POINTS

- The latest GC figures showed the industry generated £12.6bn GGY for October 2014 to September 2015

- The UK national press found reporting angles which came across as negative
- Off course B2 machine GGY made up 56% of the overall off course total

#### ESPORTS

##### ESPORTS HAS A NEW MEMBERS' ASSOCIATION

##### Match manipulation and doping are among the issues to be handled by ESIC

The Esports Integrity Coalition (ESIC), a members' association for the professional eSports industry, has officially launched after being established last year.

Members and supporters of the programme include Sportradar, Betway and eSports operator Unikrn. The body will aim to guard against issues such as cheating, match manipulation and doping. These were all issues that surfaced when ESIC carried out a threat assessment in 2015.

All professional stakeholders in eSports are welcome to join ESIC, members will work towards creating policies and new projects.

Agency Stark eSports has estimated that the eSports market generated turnover of \$747.5m for 2015 and that live streaming of eSports events attracts 100 million unique viewers per month.

#### US ONLINE POKER

##### CALIFORNIA I-POKER TALKS WORSEN Passions run high at meeting, with the bad actor issue not going away

Talks over the possibility of regulating online poker in California do not appear to be progressing, as Assemblyman Adam Gray and a coalition of American Indian tribes held a meeting on the issue described as "heated", according to Online Poker Report.

Gray's AB 2863, introduced in February, passed an Assembly Appropriations Committee vote in June but was pulled from a vote from the full Assembly later that month, after Gray learned that the bill needed around a dozen more votes to gain the two thirds majority needed to pass to the Senate.

The issue of bad actor language repeatedly surfaces in reports of differences between the state and the tribes. The coalition, made up of seven tribes and involving the Pechanga Band of Luiseño Indians and the Agua Caliente Band of Cahuilla Indians, wants to ban “bad actors” from the market for 10 years before applying for a licence, which would cost \$60m. This includes any operator that was active in the state and accepting online wagers between 31 December 2006 and 31 December 2011, meaning it includes PokerStars according to the bill’s current text, which outlines that a bad actor could not gain a licence until 1 January 2021 and would have to pay \$20m for a licence if they wished to be granted a licence before that date.

Gray is reported to have recited criminal codes for dealing with threatening a legislator at the latest meeting, and one attendee is quoted as saying: “[Mark Macarro, chairman of the Pechanga tribe] was expressing some frustration with the process and

the lack of meaningful movement toward suitability standards.”

**SOCIAL RESPONSIBILITY**  
**SENET GROUP CHAIR WANTS CONDENSED PROBLEM GAMBLING EFFORT**

**Wanda Goldwag wants the message against problem gambling to be clearer**  
 Senet Group Chair Wanda Goldwag has called for the industry to centralise its efforts in tackling problem gambling, believing that too many organisations make the issue more complicated.

That was a highlight of The Future of Research, Education & Treatment into Problem Gambling seminar held at the Palace of Westminster, the last in a recent series of seminars hosted by the All Party Parliamentary Betting and Gaming Group.

Goldwag, who was among the seminar speakers, said: “If you have 175 different organisations all trying to prove a point, they actually often contradict each other.

“If I’m a problem gambler, I should be able to go to one place, express that I’m a problem gambler and go on to one database. As an industry, if we can’t do that, we are nuts. There is no point in over 100 separate organisations doing research. We’re always going to start with the Responsible Gambling Trust.”

Another issue raised was the fact that the NHS does not provide specific treatment for problem gambling. When *Gambling Insider* asked for the panel’s views on this, Elaine Smethurst, Managing Director of charity Gordon Moody Association, said:

“I think the NHS should be recognising gambling addiction as a health issue and treatment for it ought to be freely available. I would say though that given the mental health budget has been cut and a lot of people with health issues other than gambling addiction are on a long waiting list, I think we’re going to have to continue to seek funding from the gambling industry and other sources.”

# THIS WEEK IN NUMBERS

The facts and figures that have caught our eye in the past seven days



**32%**  
 Fall in Philweb Corporation share price after Philippine President Rodrigo Duterte pledged to crackdown on online gambling



**2019**  
 The year to which Dafabet has extended its shirt sponsorship deal with Premier League football club Sunderland

**8809**

Number of betting shops in the UK as of March 2016, a 1.9% decrease on the 8975 operating at the same point last year

**€50M**

Value of the four year senior secured bond issued by Swedish operator Cherry, which will be used to partly finance the acquisition of 49% of the shares of Comeon Malta Ltd



**25**  
 Consecutive months of Macau gaming revenue decline, dropping to 15.9bn patacas in June for a year-on-year decline of 8.5%



**3**  
 Length of the partnership in years signed between BetVictor and Liverpool FC



**1360**  
 The number of Betfred shops in the UK which will now be able to broadcast all seven Sky Sports channels after the BetFred signed a “multi-year” partnership with the broadcaster



**US\$ 222M**  
 Projected value of a new resort planned by operator Macau Legends in Setubal, Portugal, according to Macau broadcaster TDM

**£76.7M**

Operating loss posted by Betfred for the 52 weeks ending 27 September 2015

## GUEST COLUMNIST

## THE FLEXIBILITY OF BITCOIN PAYMENTS IN THE GAMING INDUSTRY



**By Tim Heath**  
CEO  
CoinGaming

Gaming companies are not alone in the business world when they talk about the importance of being agile. Agility and the start-up spirit are seen as the surest way towards creating the sort of disruptive innovation which can transform an industry.

One area of gaming where firms are searching particularly hard for a game-changing innovation is in payments.

For a long time, payments was an unglamorous but necessary part of an operator's business. Of course, it is also a fundamental pillar of the user experience, and those who find innovative ways of improving it are generously rewarded.

In recent months we've seen several operators try new products which are designed to make the payments journey that little bit more seamless. There are a host of prepaid options, while others have rolled out debit cards which promise users "instant access" to winnings.

While these products are certainly a step in the right direction, they still operate within traditional payment structures. I would argue that there is a bigger prize at stake for those willing to tear up the rulebook and look beyond fiat currencies and these ageing structures.

Bitcoin has been in the news of late, particularly when its price surged

following Britain's vote to leave the European Union. While some continue to view the cryptocurrency with suspicion, it is fast gaining mainstream acceptance as more retailers accept it and economists discuss its future.

We are still some way from mass adoption and for the time being Bitcoin predominantly remains the preserve of the tech community, but that is changing quickly and operators in the gaming space will need to be ready to react.

The opportunities Bitcoin presents to gaming are far reaching. Take new markets as an example. An estimated 2.5 billion people worldwide are without conventional banking options, but the blockchain – the technology upon which Bitcoin is built – provides a way for secure and trackable payments to be placed by anyone with an internet connection.

With competition in the saturated markets of Europe more intense than ever, operators often discuss the importance of expanding into new jurisdictions. But practicalities, often related to payments, have so far limited this process.

Bitcoin completely changes this paradigm. There are established Bitcoin markets in places as diverse as Pakistan and Indonesia, and these are markets which could become key gaming jurisdictions in due course.

Africa too is an exciting prospect, where a strong retail gaming heritage is beginning to switch online. Those who succeed on the continent will need to offer greater payments flexibility than what is expected in Europe. Bitcoin is emerging as a viable alternative.

Aside from new markets, Bitcoin can also improve the experience in more established jurisdictions. The blockchain enables operators to offer their customers withdrawal times

measured in minutes rather than days.

This opens up all sorts of further possibilities. Players who know they can access their money instantly are generally more willing to make deposits.

We've demonstrated during Euro 2016 that it has also helped cross-sell sportsbook users into casino, as players "experience" their winnings by withdrawing before quickly re-depositing into a separate wallet.

Bitcoin also allows operators to offer customers greater flexibility when it comes to the amount they deposit. Micro-deposits of as little as €0.01 are suddenly viable without prohibitive third-party fees and charges.

While it may sound counter-intuitive to encourage players to make small deposits, it in fact gives us access to a whole new class of player in different markets which might not want to commit to €10 or €20 deposits.

Bitcoin will not replace fiat currencies overnight. And there are a number of not insurmountable challenges to overcome. For example, those operators which fly the flag for Bitcoin must act responsibly and define strong AML and KYC standards from the outset.

The volatility of the currency also adds an extra layer of risk to those using it to gamble; until the value of Bitcoin stabilises, such risk might not be for everyone.

But nonetheless the cryptocurrency presents a genuine opportunity to reinvent gaming and drive revenues from new markets and customers – but only for those willing to think very differently about payments.

*Tim Heath has more than 10 years of management experience in online gaming and is the CEO of Coingaming.io, a leading platform provider specialising in the provisioning of Bitcoin cryptocurrency solutions for the i-gaming sector*

**OUT SOON: Look out for the July/August issue of *Gambling Insider*. The unique nature of human resources in gaming, lessons to be learned from the 50-year story of Caesars Palace, and how the industry should fight back against the press are just some of the key issues discussed**

