



# WEEK 45

## FRIDAY 4 NOV 2016

### THIS WEEK

- MGM hints at \$10bn Japan casino resort
- Macau gaming revenue continues to climb
- German states working on new online legislation
- Guest col: Dr Mark Griffiths, Nott. Trent University

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#### TOP STORY

## LADBROKES AND CORAL FINALISE MERGER

Shop sales to Betfred and Stan James have completed; last obstacle to deal removed



Ladbrokes has finalised its 18 month-long merger with Gala Coral, the new £2.3bn combined entity will now be known as Ladbrokes Coral Group and is the UK's biggest retail bookmaker.

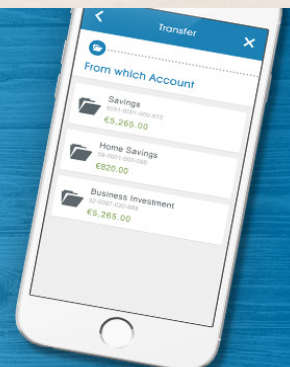
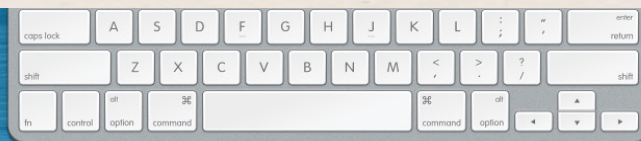
Ladbrokes governance confirmed completion of the merger on Tuesday morning, stating: "Ladbrokes plc announces it has today changed its name to Ladbrokes Coral Group plc. The merger is expected to complete on November 1, 2016."

The new company will retain a number of Gala Coral businesses such as Coral Retail, Eurobet Retail and the bookmaker's online businesses.

After Ladbrokes and Coral acquiesced to the UK Competition and Markets Authority's (CMA) requirement to sell 359 betting shops to alleviate competition concerns in specific locations across the UK, the merger progressed swiftly.

Gavin Kelleher, Gaming Sector Analyst at Goodbody Stockbrokers commented on the merger to *Gambling Insider*: "Betfred was always seen as the likely acquirer of the shops so that's no surprise, I think the number paid was a little lower than expected but taking into account the sale's context, it was a process where Ladbrokes and Coral had to sell the shops and potential buyers knew that.

"It was a 'fire sale' process, the shops had to be sold to get the deal done. Ladbrokes and Coral **CONTINUED ON NEXT PAGE** ▶



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should believe the net benefits of the merger outweigh the slightly lower multiple that was paid, which was probably a bit lower than what most people thought."

Commenting on the group's next likely step, Kelleher said: "I think they're going to try and organically grow the two brands by using the increased scale and efficiency they now have.

"Further down the line they could consider further M&A but I think for the foreseeable future they'll try to bed down this merger, trying to get the cost synergies from the business with the integration.

"That's going to be the main job for the next number of quarters and I think that's what they're going to focus on, integrating the businesses and giving themselves the platform to deliver further growth."

### KEY POINTS

- CMA allowed merger after sale of shops
- New entity worth £2.3bn
- Company will retain online businesses, Coral Retail and Eurobet Retail

### LEGAL & REGULATORY

#### **MGM RESORTS READY TO PLEDGE UP TO \$10BN ON JAPAN CASINO** **MGM planning to commit strongly to Japan if the market opens**

As Tokyo leans further towards legalising the casino industry, the chief executive of MGM Resorts International stated the Las Vegas-based company could invest up to \$10bn into a Japanese casino via publicly traded real estate investment trust.

MGM's CEO, Jim Murren, says the company will spend between ¥500bn and one trillion yen (\$4.8bn - \$9.5bn) on an "integrated resort" – a large-scale project combining casinos with hotels, shopping and conference space.

With rival operators, such as Las Vegas Sands Corp, keen to enter the market, there are high hopes for the Japanese gaming market. Brokerage CLSA has claimed the market could be worth \$40bn per-annum.

The MGM-led project could be built by 2022-23, with multiple blue-chip companies potentially looking for an equity stake in the plan.

In an interview with Reuters, Murren stated: "We think there would be a

tremendous amount of demand, and ultimately a public listing of these types of Japanese resorts would be very appealing."

### ASIA CASINOS

#### **MACAU REVENUE RISES FOR THIRD STRAIGHT MONTH**

#### **The region manages to hold on to growth**

Macau's casinos enjoyed a solid October, with gross revenue from games of fortune in the region climbing by 8.8% to 21.8bn patacas.

October's return represents the third month of growth in a row, with Macau's recovery gaining momentum following on from a 26 month period of consecutive year-on-year declines.

China's Golden Week holiday at the beginning of the month will have contributed to the higher than expected revenue increase for October, with 970,000 tourists arriving from the Chinese mainland, the highest number for at least ten years.

The openings of Wynn Palace and The Parisian, in August and September respectively, have also boosted the peninsula's revenue.

Richard Huang, a Research Analyst at Nomura International, was quoted by Bloomberg as saying: "The strong beat of the monthly gaming revenue is very likely due to the strong performance of both the mass market and the VIP business, and it will improve market sentiment."

given the company's similar business strategies and regulatory issues.

The new company is expected to raise money shortly after the merger, as it makes financial sense for both companies to pool their resources instead of spending copious amounts competing for the same target audience.

There is still a question of whether the deal could go through given the companies' dominating share of the market. If combined, DraftKings and FanDuel would allegedly control more than 90% of the daily fantasy sports market

framework will allow for open licensing and qualified online operators.

German states will now work towards repealing the country's 2012 Gambling Act, which has proved ineffective at creating appropriate business conditions for the gambling sector and its stakeholders.

The 2012 State Treaty allowed for the provision of online sports betting options, however, it put a cap on the number of gambling companies that could operate in the local market to just 20.

The decision was highly disapproved and reproached by European authorities, operators, and other involved parties.

According to a ruling by the Fifth Chamber of the Administrative Court of Wiesbaden, the 20 licences cap violated European Union-wide standards for the "freedom to provide services".

In an attempt to keep the original plan largely intact, the government doubled the number of available licenses from 20 to 40. However, following an unbroken streak of legal setbacks, Germany's state-level prime ministers have given up on the country's original licensing concept.

**M&A**

**DRAFTKINGS AND FANDEUEL MERGER DISCUSSIONS REACHING FINAL STAGES**

**DFS operators consider unifying after being hit by fines and regulatory issues**

On Monday, Bloomberg reported that daily fantasy sports operators DraftKings and FanDuel are coming closer to reaching a merger deal. Their corporate governances are "hammering out" combined enterprise details for stakeholders and investors.

DraftKings Co-Founder, Jason Robins will reportedly take over as CEO and FanDuel Co-Founder and CEO Nigel Eccles would be promoted to the position of Chairman of the Board.

The merger has been speculated for months and is championed by investors

**LEGAL & REGULATORY**

**GERMANY WORKING ON NEW COHESIVE GAMBLING FRAMEWORK States working to repeal 2012 gambling act**

After two years of legal setbacks, the heads of Germany's 16 states have finally agreed to modernise the country's online gambling regulatory system, into an effective one that abides by European law.

After the annual conference in Warnemünde, the newly established



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**EVENT PREVIEW**

**THE TABLE GAMES ACADEMY**  
Amsterdam, 14-17 November



A new event on the Totally Gaming calendar in 2016, the Table Games Academy is taking place in Amsterdam.

With table games being a staple in international casinos since 1638 and customer expectations rapidly changing, especially due to the introduction of new technology, it is crucial for land-based casinos and gaming establishments to thoroughly understand the mechanics behind table games, and how to stay ahead

of future trends. The Table Games Academy is an educational tool covering every facet of the table games offering for operators who wish to maximise in their casinos, from table selection and optimal locations on the casino floor, through to running table games more efficiently, and training and supervising staff.

Day One of the four day event will include sessions covering casino visitor profiles, the different table games available on the market and how different types of players interact with each game, and loyalty programmes and complimentary offers.

Day Two will switch focus, taking a closer look at the physical casino floor, examining game placement and floor plan evaluation. Process and procedural risks will also be discussed on Day Two.

On Day Three attendees will delve into the numbers that determine how profitable table game will be in the casino. Lessons will include how to maximise efficiency whilst

running table games, performance analysis statistics models, calculating profitability and carrying out internal and external audits.

The final day of the academy focuses on the personnel that will be required to staff the table games. Delegates will discuss training, scheduling and supervising staff, how to manage staff tips, and look at why table games are so open to fraud.

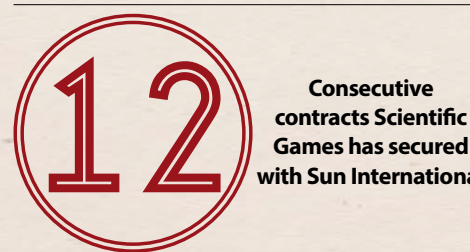
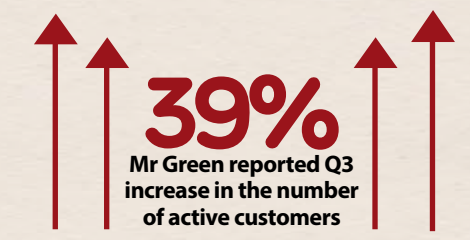
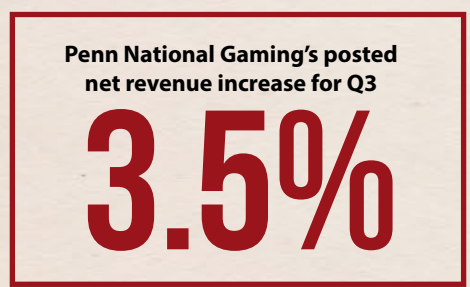
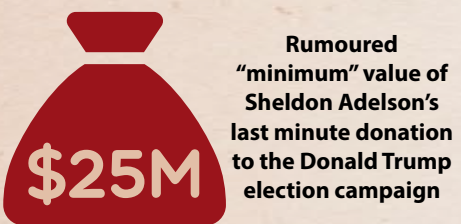
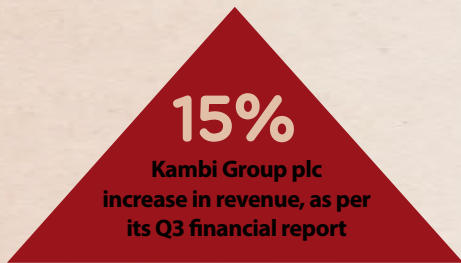
Networking events, including a welcome dinner on the first evening, will also be available for delegates.

*GI Friday's subscribers can benefit from a 10% discount from the cost of the Tables Games Academy course. Delegates must quote the code: TGAGamblingInsider10 when signing up for the event.*

*For more information about the Table Games Academy visit [www.totallygamingacademy.com/table-games-academy](http://www.totallygamingacademy.com/table-games-academy) or contact Jon Hales at [jon.hales@Clarionevents.com](mailto:jon.hales@Clarionevents.com) (020 7384 7992)*

# THIS WEEK IN NUMBERS

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



## GUEST COLUMNIST

## PLAYER RETENTION AND SOCIAL RESPONSIBILITY IN THE ONLINE GAMBLING INDUSTRY



By Dr. Mark Griffiths  
Nottingham  
Trent University

Although I have spent 30 years researching problem gambling, I am not (and have never been) anti-gambling. Over the last 15 years I have helped over 30 gaming companies in terms of harm minimisation, social responsibility, and player protection – particularly those in the online gambling sector. In this article I briefly outline five important factors that I believe are critical to online player acquisition and retention based on a combination of my own psychological research and my many years of researching the psychology of gambling. These are (i) branding, (ii) trust, (iii) reputation management and enhancement, (iv) company identification with the player, and (v) social responsibility.

**Branding** – Every great brand has an outstanding feature at its heart. A product also needs time and to be promoted and communicated consistently to become a brand. Repetition appears to be one of the keys to establishing brand success. Online gambling sites often get bad press and are often viewed as unsafe and risky places. Negative press and enough negative feedback from customers can bring the brand into disrepute.

**Trust** – What really determines a brand – and this is especially important in the online

gambling arena – is trust. Trust is of paramount importance in e-commerce generally, and in getting people to gamble online more specifically. Without trust, the spending of money online is unlikely. Players will be more likely to gamble online with those companies that are well established than a little known company operating out of the Caribbean. It has been claimed that successful brands have a “trustmark” rather than a trademark. With the embedding of regulatory and problem gambling regimes, a “trustmark” is an apt gauge for social acceptability and social responsibility. However, getting transferability and connections across brands in the “mainstream” is probably the key issue.

For many internet gambling operators, the mechanism to establish trust has been to pursue a ‘clicks and mortar’ approach of combining an offline presence (and brand recognition) with online presence. “Trustmarks” are thought to be one of the major reasons why consumers prefer one particular product to other non-familiar ones. They communicate that customers have not been let down by the product and they can reduce anxiety by using it. At the heart of gambling there will always be the underlying fact that in the long run, most players lose. Whichever way the gaming industry plays out this truism, the general situation of players mostly losing represents an underlying negativity that competes with the innovation of demonstrating that the minority of real long-term winners are the central focus and purpose of participating. This is one of the main reasons why trust becomes so important.

**Reputation management and enhancement** – It was once argued that the internet would provide a level

playing field for small and large retailer alike. However, given the need to establish trust, it would seem that organisations with a good existing offline reputation are at an advantage. Research into online purchasing of books and flight bookings show that the perceived size and reputation of the company determines consumers’ likelihood of purchasing from it. The reason for this is that increased size and reputation led to higher trust, which in turn influences the perception of risk and the willingness to buy.

Psychological thinking proposes a three stage model for understanding how people assess the trustworthiness of a website. The first stage assumes that people are faced with a large number of potential websites and thus engage in rapid, heuristic-based analysis based on the design of the site, rather than the content. During the second stage, people engage in a more systematic analysis of the content of the site, and it is during this stage that people are influenced by apparent integrity, benevolence and expertise. The third stage is a relationship development and integration stage, that is, people’s continued use of a site, personalisation and the integration of experience.

Trust is a historical concept because customers need repeated interactions coupled with good feelings to build it. Branding experts claim it takes at least three years to establish the feeling of goodwill among consumers. The good news for companies – including the gaming industry – is that customers do not have to have experienced the product. Customers might engage in things because others have used or engaged in the product for years. Although little studied in empirical gambling investigations, trust is thought to be an important variable in both the initial decision to gamble and

**OUT SOON: Look out for the November issue of *Gambling Insider*, which is out next week. We ask many of the most influential leaders in gaming to tell us the trends, technologies, innovations and regulations that will have the biggest impact on the gaming industry in 2017**





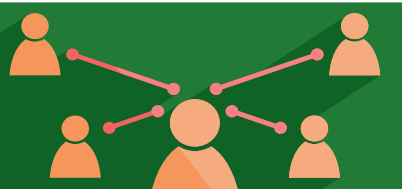
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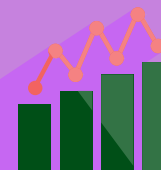
## FINANCE

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## EVENTS

Our selection of the best conference and exhibitions



the maintenance of the behaviour. In a study of nearly 11,000 carried out by our gaming research unit, four-fifths of Internet gamblers (79%) considered the internet a trustworthy medium of gambling. However, most internet gamblers (90%) preferred to gamble on websites of well-known and trusted "high street" bookmakers.

### Company identification with the player

– One of the most important things about brands for the gaming industry is that they help consumers define their self-image and who they are – at least on some psychological level. For some people, this "personal branding" may be more important than their social identities within a community. For example, the car they drive or the newspaper they read, are particularly strong cultural indicators of what sort of person they are. Where they gamble and on what games can be an extension of this. However, total trust acceptance may also lead to an uncritical assessment of acceptability by the punter. For instance, some trusted non-gambling websites now provide links and endorsements to either their

own gambling sites, or those of affiliates. Our gaming research unit highlighted a case of an online problem gambler who had been led to an online gambling site by watching a popular (and trusted) daytime television programme that promoted its own online gaming site.

**Social responsibility** – As mentioned above, "trustmarks" are likely to be important in relation to social responsibility and the perception of it by players. In studies conducted by our gaming research unit with online gamblers around the world, we found that many of them felt that responsible gaming practises demonstrate that a gaming operator has integrity, and that they care about their players' wellbeing. For instance, many online poker players did not want their winnings to come from players who could not afford to lose it. They reported that responsible gaming practises allowed them to feel comfortable that their winnings had not come from people with gambling problems. Given that one of the biggest obstacles that prevent people playing online is a lack of trust of operators,

this is a significant and important finding that gaming operators should take note of.

For me, all of these five factors are highly inter-linked. However, I believe that those who end up being the most successful online gaming companies will be the ones with the best social responsibility protocols and infrastructure, and that this will engender trust among its clientele.

*Dr. Mark Griffiths is a psychologist, professor of Behavioural Addiction, and director of the International Gaming Research Unit at Nottingham Trent University (UK). He has been researching in the area of gambling for 30 years and has published five books, 140 book chapters, and over 600 research papers. He has co-developed responsible gambling tools including GAM-GaRD and Mentor*

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