



# WEEK 01

## FRIDAY 6 JAN 2017

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### THIS WEEK

- Israel shuts down state sponsored slot machines
- Scotbet Chairman condemns further industry regulation
- Greek authorities look to combat illegal VLT market
- William Hill now taking bets on virtual racing in Nevada
- Guest Columnist: Will Mace, Head of Kindred Futures

## MACAU SEES THIRD YEAR OF DECLINE IN A ROW

*2017 looks more positive as December revenue grows*



The Gaming Inspection and Coordination Bureau recently published Macau's final 2016 gambling revenue figures, revealing an accumulated gross revenue decline of 3.3% to 223.2bn patacas, compared to 230.8bn patacas in 2015.

Despite another year of decline, the overall drop of 7.6bn is significantly less dramatic than the 34.3% plummet in Macau's gambling revenue during 2015.

The last ten months have seen a steady narrowing in the variance between the accumulated gross figures of 2015 and 2016, and 2016's monthly gross revenue has experienced an increase from the previous year during the last 5 months, with year-on-year growth of 8% recorded for December.

New casino resorts developed by Las Vegas Sands Corp. and Wynn Resorts Ltd. have been identified as a key factor behind the region's success in the third and fourth quarters of 2016, improving on fortunes that suffered in the wake of China's campaign against corruption from the beginning of 2014. At the same time, the Asian gaming hot-spot has been competing with local rivals, such as South Korea and the Philippines.

However, Grant Govertsen, an analyst at Union Gaming Group LLC in Macau, agreed in an interview with Bloomberg that: "Without a doubt over past several months, Macau has felt busier than it has in a couple years." ▶



# DRAGON Spin



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# THIS WEEK IN NUMBERS



Career length of Ruben Sigala with Caesars Entertainment, recently appointed as the operator's Chief Marketing Officer



Full year VIP turnover generated by Imperial Pacific International Holdings



Length of the deal signed by William Hill to sponsor ITV's horse racing coverage



Size of the jackpot won by a Cheshire-based player on NetEnt's 'Mega Fortunes Dreams' slot



Rise in net gaming revenue recorded by Nektan, releasing its Q1 trading update

Associate Professor at the University of Macau, Desmond Lam, said: "Like many, I am positive about the Macau gaming industry in 2017. A recovery is in place and there are visible signs of increased traffic in most properties. I think 2017 will be a year of brand building, as operators aggressively develop their properties to target the masses."

Analysts who were interviewed by Bloomberg have predicted that Macau will see a 7% in its gambling revenue rise in 2017, due to an influx of tourists from outside of China.

Richard Huang, an analyst from Nomura Holdings Inc., comments: "There are definitely more reasons to come to Macau now versus two years ago, and that is the key reason why overnight visitation is growing faster than total visitation. We expect that to continue drive growth in the mass gaming segment."

## KEY POINTS

- Revenue drop of 3.3% (7.6bn patacas) on 2015.
- Year-on-year growth of 8% recorded for December.
- Analysts remain confident that Macau will see a 7% growth in 2017.

## ISRAEL SHUTS DOWN STATE SPONSORED SLOT MACHINES

*Finance Minister oversees the closure of 500 slot machines.*

In a victory for Finance Minister Moshe Kahlon, Israel has seen the closure of 500 slot machines and 150 keno machines after he began a crackdown on state-sponsored gambling.

The Mifal Hapayis national lottery turned off the automated games after negotiations with the treasury to renew its operating license failed to yield an agreement.

Without these gambling machines, the national lottery has claimed that it will lose 800m shekels (USD208m) annually and wants the treasury to compensate this sum.

However, ministry officials claim that the real figure should be under 250m shekels as the government has offered Mifal Hapayis the opportunity to conduct extra lotteries.

Kahlon comments: "Eighteen months ago I said there would no longer be slot machines in Israel, and I am very happy that from today there aren't any anymore." As well as this, Kahlon intends to increase the taxes on lottery winnings, in the hopes of adding around 200m shekels to the state treasury.

## SCOTBET CHAIRMAN CONDEMNS FURTHER REGULATION

*Heaton argues that gambling regulations have already pushed the industry to its limits.*

John Heaton, Chairman of Scotbet, claims that further regulation could have detrimental effects on the UK gambling industry.

In a piece published by The Scotsman, Heaton called upon the Scottish government to "strike a balance that respects the right of punters to spend their leisure time and money as they choose, while protecting the small number who get into difficulty."

Heaton acknowledges the UK and Scottish Government's attempts to curb problem gambling. However, he argued that Scottish gambling addition rates are lower than the national average, and much lower than comparative figures for alcohol misuse and adult obesity.

Heaton pointed out that across the UK over 300 betting shops have been closed over a two-year period. He believes that more closures are inevitable as the industry faces further regulation.

He adds: "Our industry supports more than 5,000 jobs in Scotland, many of them women and older people. At a time when the high street is struggling, we continue to invest in our town centres, contributing more than £110m in taxes and business rates – an average of £112,000 for every shop."

## GREEK AUTHORITIES COMBAT ILLEGAL VLT MARKET

*Illegal VLT gambling is an enormous financial strain on the Greek government.*

With Greek authorities making 300 arrests in 51 raids in the last fortnight of 2016 alone, it would appear that illegal gambling at internet cafes and unlicensed mini-casinos appears to be on the up.

# 40,925

Size in square metres of space to be occupied by ICE 2017, representing a 5% increase on last year



# 58.9M

Value of the eSports betting sector, according to Superdata Research's 2016 end of year report



# 6.1%

Year-on-year decline in tourist arrivals to Macau for the first two days of January

It has been reported that over the course of last year police raided 480 establishments operating unlicensed gambling terminals or illegal casino games and made a total of 1,513 arrests, also seizing a total of €160,000 in cash, according to official figures provided by gaming watchdog Hellenic Gaming Commission (HEEP).

Authorities have also seized hundreds of computers that were illegally used as VLTs, which appear to be the favoured game played by Greek citizens seeking to gamble.

The Illegal VLT Gambling is estimated to be a €1bn market that results in losses to the Greek state from taxes of around €300m-€400m.

Authorities have said that restricting this activity is a difficult task as the fines for operating illegal gambling machines are extremely low compared with the potential profits.

William Hill is now taking Virtual Racing bets at four of its Reno Sports Books in two Las Vegas locations, following its final approval from the Gaming Commission back in November.

The products were subsequently introduced in December at the William Hill Sports Books in Circus Circus Reno, Club Cal Neva, Grand Sierra Resort and Silver Legacy.

William Hill partnered with Inspired Gaming Group to develop the only approved Virtual Sports product in Nevada.

CEO of William Hill, Joe Asher comments: "William Hill has worked diligently with regulators and Inspired over the past two years to bring Virtual Racing to Nevada.

"Virtual Sports wagering is very popular with bettors across the globe and it fits with our commitment of bringing the most expansive and innovative wagering menu to our Nevada customers."

Steve Rogers, COO of Digital Games, Inspired comments: "Following successful technical field trial, we look forward to expanding our product offering to further venues, with new market-specific products coming soon." ◀

## WILLIAM HILL INTRODUCES NEW VIRTUAL SPORTS BOOKS TO NEVADA.

*William Hill expands its presence in Nevada with Inspired Gaming Group's offering.*



Lead partner

**BET CONSTRUCT**

# 2017

SELF NOMINATIONS OPEN

# JANUARY 16TH

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## GUEST COLUMNIST:



**WILL MACE**  
HEAD OF KINDRED FUTURES

### DELIVERING TRANSFORMATIONAL INNOVATION THROUGH START-UP PARTNERSHIPS

One hears a lot about innovation culture and the innovation imperative, or hears rather more dramatic phrases like 'innovate or die', 'disruption is coming' and 'start-ups are creating the future' but it is

less clear what such phrases mean in practical terms. What is clear however is that standing still is not an option and that easily copied incremental product improvement does not lead to significant differentiation or long term value.

Kindred recently commissioned KPMG to conduct an investigation into the global gambling related start up world to help us cut through some of the unhelpful noise created by phrases like 'innovate or die'. Amongst their conclusions was – as expected – that there is a vibrant and increasingly well funded global gambling related start up community with the potential to disrupt the status quo, but equally that there is a significant opportunity to derive competitive advantage by tapping into this community.

But how to react? How should an operator such as Kindred seek to minimise the threat of disruption and seek to exploit the advantage on offer? It would be easy to be complacent here, dismissing both threat and opportunity from early stage businesses and nascent technologies as not being something to be particularly concerned or excited about, but the lessons are unquestionably there to learn, written in the obituaries of many – once great – companies.

How to react is – on many levels - really a question about how to innovate, how to ensure a company remains relevant, meeting customer needs and exceeding their expectations in an often unfathomably fast moving world.

It is abundantly clear that there is no single right answer to this question. Just as there are many different definitions of innovation, there are many different models of innovation, many different approaches to delivering new value to customers and shareholders. These models include internal innovation teams, employee idea harvesting and R&D labs; they include investment/acquisition arms; they include start-up beauty parades, hackathons, start up challenge competitions and accelerators. All have their pros and cons. Different answers – and different combinations of answers - will be right for different companies at different points in their innovation maturity curve. A company should expect to employ different approaches to innovation over the course of its life.

Our answer - or at least part of our current answer - is a form of open innovation, seeking to innovate in collaboration with start-up partners. This is much more than just simply working with start-ups, it is about creating long term mutually beneficial partnerships with start-ups to jointly explore and experiment in areas we find strategically interesting. It is about accessing the creativity, energy and expertise of carefully selected start-ups - to supplement and enhance our internal skills and capabilities – in order to co-create new sources of value. It is about increasing our bandwidth to explore the less certain or less well understood propositions and technologies – without diverting too much resource from our core. Kindred Futures is the vehicle we have built to deliver these partnerships and enable us to jointly explore future value propositions.

Working with start-ups is no dark art but to treat them as just another supplier is likely to result in a pretty unsatisfactory result. Start-ups are different beasts entirely, working under quite different pressures and with quite different motivations to more established suppliers. Similarly they have very different priorities and structures to an operator. A successful relationship with a start up needs both parties to take into account these organisational, process and cultural differences for it to work well – it is not always easy but get the relationship/partnership right, or even half right, and it can be very valuable.

As a large organisation we think we have a lot to offer a partner that would not be part of a standard operator/supplier deal. This could be legal & regulatory expertise or customer insight & user experience expertise. It could be industry and investor advocacy. It could be data science & machine learning expertise. We can also offer fairly direct access to our customer base and even marketing spend. By seeking to be far more than simply a customer, we hope to actively contribute to a partners growth and success and thus cement long term benefits for both .We don't seek equity in return for contributing our resource or expertise, we don't seek to lock partners in to exclusive deals and we would never ask for free work; it is all about supporting the partner, building the partnership and jointly exploring strategic avenues and options– for mutual long term benefit.

Through initiatives like Kindred Futures, the Group intends to remain at the forefront of both technological change and even faster changing customer expectations.

*Will Mace is the Head of Kindred Futures, and has been with Kindred (Unibet as was) since 2014. During this time Will has been responsible for shaping the Group's approach to transformational innovation and developing the Kindred Futures team and concept.*

**OUT NOW: Look out for the November issue of *Gambling Insider*, which is out now. 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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