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THIS WEEK

- **FOBT controversy swirls around UK**
- **International investors eye Dutch gambling bill**
- **Malta postpones introduction of Gaming Act to 1 August**

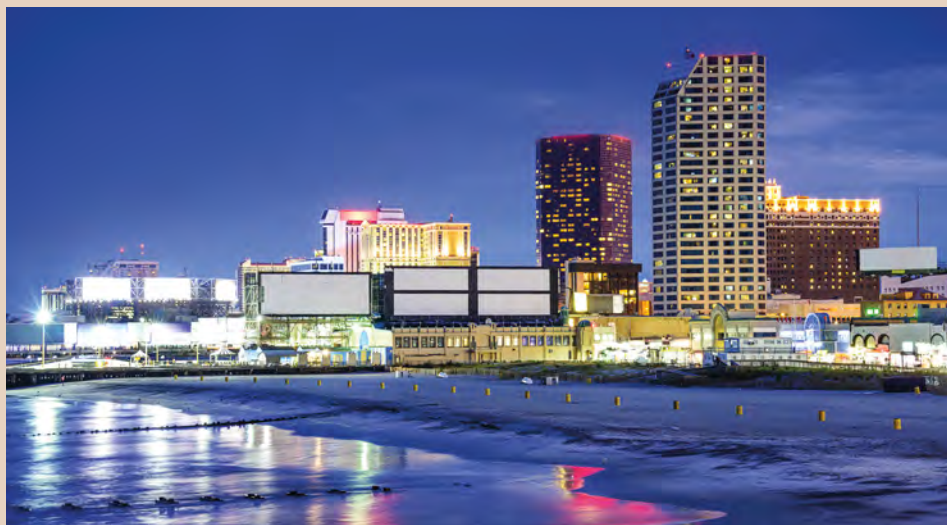
GUEST COLUMNIST

- **Thibault Richard-Folien, Replay Gaming and Endre Nettet, GiG**

WEEK 26

FRIDAY 29 JUN 2018

ATLANTIC CITY: BETS ARE DOWN ON THE BOARDWALK



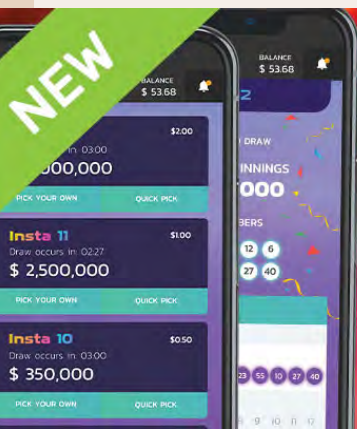
Atlantic City is primed for an economic resurgence with the grand openings of the Ocean Resort Casino and The Hard Rock Hotel & Casino this week.

The Hyatt-branded Ocean Resort, the tallest building in town, has had a \$175m facelift and boasts 1,399 rooms, replacing the Revel (which cost \$2.4bn to open in 2012 but shut down two years later). The Hard Rock Atlantic City is a \$500m makeover of the Trump Taj Mahal, which closed its doors in 2016.

Bruce Deifik, Chairman of AC Ocean Resort Casino, said Atlantic City is seeing "great economic strides", citing the casinos, a new campus at Stockton University and the expansion of Atlantic City's medical centre.

The seaside town has a checkered past, however. Five of its 12 casinos shut down between 2012 and 2014. Only two years ago, Atlantic City was teetering on bankruptcy. The city's casino industry employed more than 42,000 workers in 2006. Last year only 22,000 employees were working in the sector.

That may all be set to change, however. The Hard Rock Atlantic City has hired more than 3,800 workers and Ocean Resorts expects to create 3,000 jobs, offering hope to a city with a highly skilled staff. ▶



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THIS WEEK IN NUMBERS



The number of uniformed Chinese *chengguan* municipal inspectors detained in Yunnan province for playing poker in a video posted online

\$284,000



The top salary earned by casino property general managers with at least 12 years of experience, according to OnRec recruitment website



The amount of money online gambling brands issue to affiliate industries globally every month, according to Marc Kenigsberg, founder of BitCoinChaser.com.



The amount of revenue Rhode Island state plans to take in tax from sports betting, the highest percent proposed in the US so far

Still, New Jersey's Casino Control Commission said profits for the first three months of 2018 were down 12% over the same quarter in 2017. That may turn around with the casino openings drawing curious tourists, but PASPA is another niggling concern. The US Supreme Court's repeal of PASPA could eventually divert sports betting revenue to online providers and away from New Jersey's land-based casinos and racetracks.

To some, Atlantic City is just a high-crime, high-unemployment slum. Can the two casinos alone change the city's fortunes?

"Don't bet on it unless it learns the lesson of Las Vegas - that relying on gambling is a quick trip to going broke," writes Steve Cuozzo, a columnist with the *New York Post*. "The new Hard Rock and Ocean casinos are spiffier and hipper than their predecessors. But ghosts of failure linger behind every slot machine."

Both the Ocean Resort and the Hard Rock need a surge in gambling, a flood of tourists and an improvement in Atlantic City's fortunes to help them revive the casino industry along the boardwalk. They've got their work cut out for them.

Rummy Pandit, executive director of the Lloyd D. Levenson Institute of Gaming, Hospitality and Tourism at New Jersey's Stockton University, told *The Washington Post* that casino demographics have changed over the years.

"Younger people... aren't looking to make gambling their primary motive of going to a particular destination or resort," Pandit said.

If casinos can't rely on gambling as their mainstream revenue any more they must look further afield to attract punters. Las Vegas casinos now earn two-thirds of their revenue offering extras: family entertainment, top dining venues, spas and concerts.

The Atlantic City casinos appear to be following their lead. The Hard Rock will host live concerts and the Ocean boasts a spa, a driving range and sports betting. A stroll along the seaside also offers numerous outdoor cafes and a Ferris wheel.

Hard Rock's International Chairman, Jim Allen, told *Fox News* that the brand is banking on entertainment sales in addition to casino revenues.

Carrie Underwood and Pitbull headline the opening weekend and the \$30m entertainment budget will be used to host 300 live shows in the first year. The 400-seat Hard Rock Cafe and the Hard Rock Live at Etes Arena, with a capacity of 7,000, should brighten up the evening festivities.

"Now the work truly starts," Deifik told the local media.

FOBT: CONTROVERSY SWIRLS AROUND THE UK'S CRACKDOWN

The UK's plan to lower the maximum stake on highly addictive fixed-odds betting terminals (FOBT) from £100 to £2 will lead to a significant drop in the profitability of betting shops. Britain expects job losses and a drop in UK tax revenue. The biggest controversy, however, centres around the UK's decision to delay the crackdown until 2020.

"The government wanted a perceived win in the public eye as protecting the public, whilst in reality it is just hurting British business and expanding the nanny state," David Schollenberger, head of the gaming and leisure team at Healys law firm, told *Gambling Insider*.

Betfred, the British bookmaker with 1,666 betting shops, said the crackdown could force the company to shut 900 of shops and cut 4,500 staff. The company reported a pre-tax loss of £18.1m for the year-ended 24 September 2017, down from a pre-tax profit of £32.4m in 2016.

Some bookmakers have watched their market value drop since the UK's

FOBT announcement. William Hill's shares declined by 6.5% in early trading while shares in GVC Holdings fell more than 4%.

Land-based UK betting shops are likely to be hardest hit. William Hill told *The Independent* that the change could result in 900 of its stores becoming loss-making, putting "a proportion of these" at risk of closure. GVC told the newspaper that it expects the decision to have a £120 million impact on earnings by the end of this financial year, and an impact of £160 million in the first full year following implementation of the new rule.

The UK government will also feel the pinch. The Treasury is likely to lose £194m from FOBT stake cuts if players don't switch to other forms of taxed gambling, according to stockbroker Goodboy.

Labour Party MP Tom Watson accused the government of being "fundamentally weak", however, after the UK delayed its FOBT crackdown by two years - allowing gamblers to lose an extra £4 billion over the two years.

\$32.4bn



The amount of gross gaming revenue achieved by tribal gaming in 2017, according to the US-based National Indian Gaming Commission



£10.2mn

The sterling dividend paid to Betfred's boss in 2017 despite an £18.1m pre-tax loss

DUTCH GAMBLING BILL OPENS DOOR TO FOREIGN BUSINESSES

The Netherlands has outlined its gambling liberalisation plans, reviving a long-delayed gambling bill that could finally see international companies offering online poker, casinos and sports betting.

The Remote Gaming Bill was first discussed in 2013 and passed by the Lower House in July 2016. It is expected to be debated in the Senate before the year's end.

If the bill passes into legislation, EU-based companies would need to establish a local "representative in the field of addiction prevention" and contribute 0.25% of revenue to fund problem gambling treatments. While the proposal will also open the market up to international operators, non-EU gaming providers would be required to set a physical presence in the Netherlands to obtain a licence.

"The presence of permit holders in the Netherlands is of great importance to the cabinet to further reduce the risk of gambling addiction. Large distance between permit holders and the Dutch

health care system makes effective cooperation difficult. This cooperation is crucial to protect players effectively and preventively – directly within the game range," Dutch Minister for Legal Protection Sander Dekker said in a letter to lawmakers.

Dekker suggested that the government strictly divide games of skill and games of chance to ensure the safety of young people. He also wants to tighten rules around advertising and promotions.

While the bill has struggled to get as far as the Senate, the Dutch government's promise of strict regulation means it may finally get a fair hearing. The Senate is expected to turn its attention to the bill in October, which would open the online gaming market for licensed operations in July 2019 at the earliest.

According to local new reports, there are two problems that could stop the bill from becoming law: the debate over gambling advertising and a Lower House motion dating back to 2011 that could prevent online operators from being eligible for future licenses.

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THE WEEK IN QUOTES

"If you are thinking of a gambling place there, forget it. You are dreaming."

Philippines' President Rodrigo Duterte's advice to gambling operators eyeing Boracay island.

"It will take firm ongoing commitments from the Commission as a gambling regulator, but also from all of those with a part to play."

Chief Executive of the UK Gambling Commission, Tim Miller, discusses plans to protect children who are exposed to online gambling risks.

"Importantly, for government and the province and hopefully other jurisdictions, it (the report) will illustrate how a regulatory system can fail and how we can avoid that in the future."

British Columbia's Attorney-General David Eby discusses the Canadian province's failure to stop money laundering at casinos.

THIS WEEK'S WINNERS AND LOSERS

WINNERS

Mexico - Mexico's gambling industry is now the second largest in Latin America (after Argentina) with annual revenues surpassing the \$10bn mark

Playtech - Italy's financial markets regulator has paved the way for gambling software firm Playtech to buy the remaining 19% stake of rival Snaitech, completing its \$986m takeover

Kenya - Gambling is a multi-million dollar business in Kenya but what's good for the country is not always good for its citizens - Kenya has the highest number of young people in sub-Saharan Africa between age 17-35 who gamble frequently, a 2017 GeoPoll survey found

Galaxy Entertainment Group - The Macau casino operator has been accused of spying on its staff after entering into a deal with YouFind, a Hong Kong-based digital marketing firm, to monitor their staff's social media accounts

Crownbet - The online sports betting platform in Australia is being sued by rival Sportsbet over its attempt to trademark and operate under the "Sportingbet" name

LOSERS

PHILIPPINES' DUTERTE DECLARES WAR ON GAMBLING IN BORACAY

Galaxy Entertainment Group's plan to build a \$500m integrated casino resort on the Philippines' holiday island of Boracay could be in jeopardy following President Rodrigo Duterte's latest diatribe on gambling.

The Philippines' gaming regulator (PAGCOR) announced back in April that GEG's resort was on hold until the Macau-based company convinced the president of its "advantages". The regulator granted the license to Galaxy and local partner Leisure and Resorts World Corp. in March.

The President weighed in last week, advising any business operator planning to locate on Boracay island to: "Forget it".

"I hate gambling. I do not want gambling," Duterte said during the 2018 National Information and Communications Technology summit in Davao City. "If you are thinking of a gambling place there, forget it. You are dreaming."

His remarks were reported by the *Manila Bulletin* newspaper.

Galaxy Entertainment Group did not respond to *Gambling Insider's* request for comment.

Boracay, the Philippines' most famous

holiday island, has been closed for six months. Duterte has called it a pollution "cesspool".

The island is expected to be reopened in October once the government has improved sewage and water treatment facilities and dismantled illegal structures.

GEG isn't the only gambling operator having trouble. Casino investor Landing International is also under fire. The Commission on Audit is questioning the legality of a casino land lease agreement between the company and the state-run Nayong Pilipino Foundation.

Maria Fema Duterte, described by *Politiko* as President Duterte's niece and a Nayong Pilipino Foundation board member, has complained that Landing International would be underpaying for its lease relative to the market value of the land at nearby Solaire Resort and Casino.

Landing International told *GGR Asia* that its agreement to lease a parcel of land of about 9.5 hectares (23.5 acres) in size located in Parañaque City, Philippines, is a legally binding contract with Nayong Pilipino Foundation.

MALTA POSTPONES INTRODUCTION OF GAMING ACT TO 1 AUGUST

Malta has delayed introduction of its new gambling law until 1 August so it can review recommendations from the European Commission (EC) and comments from an EU member state about the new regulatory framework.

The Gaming Act was to be implemented on 1 July but the delay was announced on Wednesday after a detailed opinion issued by the EC and an EU member related to the draft Gaming Authorisations Regulations.

Silvana Zammit, a gaming law specialist at Malta's Chetcuti Cauchi Advocates, said the new Act is expected to change the structure of the law, simplify licensing procedures and improve player protection. The bill, as it now stands, may also allow the possibility of virtual currency and distribution ledger technology regulations in the future.

The new Gaming Act appears to be theme-oriented (definitions, authorisations, taxes, player protection) rather than product-or sector-orientated (land-based gaming, online gaming etc).

This means that "a remote gaming operator of games of chance, for example, under the new law, is not able to refer to a

particular text such as the Remote Gaming Regulations today, wherein the major rules that affect it are provided for it," Zammit told *Gambling Insider*.

The new legal structure brings together laws for regulating all gambling activities, including land-based and online, into one body of law, creating a more streamlined and cohesive legal regime.

The licensing procedure is expected to be simplified, with just two licenses available, B2B and B2C. The B2C license will still be categorised in accordance with the game type provided, but the new law is expected to eliminate the requirement of a new license per class of games. The duration of licenses is likely to be extended from five to 10 years.

With the introduction of the new Gaming Act, the point of supply gaming tax has been scrapped and licensing fees have been introduced. The planned amendments to the new Gaming Act also include increased consumer protection standards, responsible gaming measures, and improved reporting of suspicious sports betting transactions in the fight against the manipulation of sports competitions.

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MACAU VISITATION UP

Visitors to Macau grew 5.2% to 2.705 million in May with growth in both overnight and same-day visitors.

Overnight visitors increased 5.3% to 1.449 million while same-day visitors grew 5.1% to 1.255 million. As usual, mainland China delivered the majority of visitors with 1.861 million in the quarter, up 9.3%. All other major jurisdictions declined, however.

For the first five months, visitation was up 7.8% to 14.211 million. Overnight visitors are up 8.5% to 7.322 million and same-day visitors are up 7.0% to 6.890 million.

May visitors by jurisdiction:

JURISDICTION	VISITORS (M)	CHANGE Y-O-Y (%)
Mainland China	1,861	+ 9.3
Hong Kong	484,256	- 2.1
Taiwan	84,115	- 5.6
Republic of Korea	64,980	-10.0
Japan	29,900	- 0.5
United States	15,144	- 2.1
Australia	6,667	- 3.0
Canada	6,214	- 6.6
United Kingdom	4,722	- 5.8
France	3,400	- 5.1

INDIAN COUNTRY GROWS

Tribal casino revenues grew 3.9% to \$32.4bn last year, the National Indian Gaming Commission reported. That puts Indian gaming revenues at about 81% of US commercial casinos, which in calendar 2017 reached \$39.960bn, according to Fantini's National Revenue Report. The largest jump from what the Commission defines as the Sacramento region, which includes all California and northern Nevada casinos. Revenues there grew 7.3% year-over-year to \$8.996bn.

All but one of the eight administrative regions grew gaming revenues during the year:

REGION	REVENUE (\$BN)	CHANGE Y-O-Y (%)
Sacramento	8.996	+7.3
Portland	3.383	+6.5
Tulsa	2.391	+4.2
Phoenix	3.037	+3.6
Oklahoma City	2.311	+2.1
St. Paul	4.586	+1.7
Washington DC	7.333	+1.0
Rapid City	373.256	-2.7

STOCK UPDATE

Tropicana was the only US-listed gaming stock to hit a 52-week high this week, reaching \$72.95 at the close of markets Monday.

GUEST COLUMNIST



THIBAUT RICHARD-FOLIAN

CHIEF OPERATING OFFICER,
REPLAY GAMING

Thibault says online gambling operators must follow the example set by the eSports industry when it comes to driving engagement through community

You only need to look at the phenomenal rise of eSports over the last couple of years to see the power of community. At the centre of eSports' success has been a passionately engaged community which has driven the vertical to new heights and attracted millions of followers focused around streamers on Twitch and YouTube. What is surprising is that more gaming operators have not followed this example.

PLAYING YOUR CARDS RIGHT

Perhaps the only product vertical that has come close to fostering the same community spirit as eSports is poker, which has a long history of building vibrant communities dating back to the 1990s.

The online poker boom really sparked in 2003, following Chris MoneyMaker's World Series of Poker Main Event victory. MoneyMaker took home \$2.5m, but more importantly he inspired a new generation of poker players as he was the first person to win the event having qualified via an online poker website.

In the years after MoneyMaker's big win, internet poker forums such as Two Plus Two became hubs of activity for both poker veterans and newbies alike. They were places where players discussed detailed strategies or just blew off steam after a bad beat.

THE BENEFITS OF COMMUNITY

For gaming operators today, there are significant benefits to trying to recreate this approach by building a community aspect around your product. As an acquisition tool, it makes your product far more appealing to prospective customers when they can see others are already actively engaged.

The community essentially plays the role of a strong third-party endorsement and that is an extremely powerful tool with customers, particularly at a time when cost-per-acquisition rates are on the rise.

Beyond acquisition, the community also brings multiple benefits from a retention and engagement perspective. Players who feel welcomed every time they log on to use your product are far more likely to hang around, and your community can serve as an official welcoming committee.

From an engagement viewpoint, customers are also more likely to log longer sessions when they are incentivised with access to a community where they can share their experiences.

THE REPLAY APPROACH

At Replay Poker, we have harnessed the power of community for several years now to build a loyal following for our free-to-play online poker product.

We have on-site forums which provide our users with a convenient and welcoming place to exchange news, views and strategies without having to leave our website. We strengthen this with additional features such as friends lists, indicators as to who is online, private messaging and friends leaderboards.

This approach has also given us a chance to get our most loyal users more involved, by inviting them to take on important roles in the long-term development of both our community and Replay Poker more generally.

At present, we have more than 60 players filling 70 key volunteer roles, including player representatives, forum moderators, translators and more. This has been an important part of Replay Poker's success. Our users do not simply enjoy using our product, they are invested in something far greater. Interacting with these people is the most rewarding aspect of running the website.

BUILDING OUT YOUR BRAND

Many operators have enjoyed success by actively participating on third-party forums, using them as a place to reach out to new and existing customers.

While this is a beneficial strategy, a more powerful approach is directly linking a community to an operator brand and building it on-site. This means that the community aspect of a gaming offering is closely connected to the product itself. This direct link will mean operators are better placed to directly benefit from the strength of the community.

For instance, it hands operators the freedom to create bespoke content that may otherwise fall foul of moderation on external forums. Operators will also be better placed to forge a closer relationship between the community and other aspects of your product.

One powerful incentive here is bonusing, and offering in-game rewards such as free spins and tournament entries for those who contribute most to the community.

MARKETING 2.0

Ultimately, community is a central component when it comes to supercharging marketing efforts in an increasingly competitive sector. The gaming industry has, previously at least, not done a particularly good job of tapping into the full power of social.

To change this, operators need to be sensitive about how a community works. While communities can be powerful marketing tools, they must at the same time foster genuine loyalty and interaction.

This can only be achieved by creating a welcoming environment that offers real value and entertainment. And if such a place sits directly alongside an engaging gaming product, that is a winning combination.



GUEST COLUMNIST

ENDRE NESSET

DIRECTOR OF SPORTS, GiG

Nesset explores five reasons why sport betting is due a well-needed shake up

The gaming and betting industry is often accused of lacking innovation and I don't disagree. In such a fast moving and customer centric business where players and bettors demand the same responsiveness personalisation and service they receive from their everyday ecommerce activities, we should, and could be doing far more.

The sports betting industry has become complacent, is lacking differentiation and is falling way short of the mark on innovation. It's high time for a new, disruptive force to shake things up and give operators a truly advanced, responsive and data-driven platform offering that immediately drives revenues and outperforms the competition. Therefore, we've been very busy developing what we believe will be the ultimate sportsbook product.

Launching 24 hours before the start of the World Cup may seem like madness but what better testbed than the greatest show on earth where punters from all corners of the globe place millions of bets across all manner of markets 24/7 and where (contrary to many expert pre-tournament predictions) most games have been nail-biting thrillers packed full of controversial decisions, incredible goals and last-minute drama.

FREEDOM AND FLEXIBILITY

The freedom and flexibility to choose what you want from a sportsbook simply doesn't exist across most offerings today. GiG people are bettors and operators at heart and by background. This is a massive advantage in that we can relate to their every need. Plus, we've been through the same pain points. We're offering something very different where no doors are closed, and everything is possible when it comes to producing the most flexible sports betting product out there. We've created three different products which can be sold as standalone modules or bundled together with GiG Core (formerly known as iGaming Cloud) for a complete solution. GiG Sports Connect is a proprietary odds feed combined with an odds aggregation system. We can integrate multiple odds feeds, including our own, and distribute that to our partners giving them the freedom and flexibility to choose what suits their respective needs. GiG Trader is a new set of intelligent trading tools where operators can take control over their offering - built with all our in-house knowledge for optimal user experience. GiG Goal is the intelligent middleware and front-end solution built with implemented machine learning.

GIVING OPERATORS WHAT THEY NEED

Many sports betting brands have become overly reliant on their suppliers' legacy systems. We're here to give operators what they need to drive revenues and take market share, not what they are simply given. We've built our new sportsbook on the latest technology. This goes for the platform, trading tools and the front-end which is an enormous advantage as it makes it very fast and responsive. It's a multi-tenant system which gives us great time-to-market and simplifies B2B management, making our products very scalable, benefiting all.

PRICING AND RISK: NOT AFRAID TO GO IT ALONE

One of our unique selling points is having the bet placement team working on all the leagues we offer odds. We won't publish any odds without us also placing bets on the leagues. You could say we're putting our money where our mouth is. We've taken the proprietary approach for the outright at the World Cup. It's a different approach to the market standard and we're not afraid to take our own stance and price events in our own way. We won't use the market as a reference point. This is what the market wants and needs.

RESPONSIVENESS IS VITAL

Our proprietary technology uses machine learning techniques to personalise a customer's feed, giving him or her a unique and tailored user experience. This is an area of sportsbook technology that is vital in today's market in order to create a loyal player base and to support a strong operator brand.

For example, if a player has a history of betting on the English Premier League, while another prefers to place bets on the NHL, they will see different versions of the site when they log-in or navigate their way around the site. It's all created with the user experience in mind, and for ease of navigation.

GET RID OF THE GIMMICKS

Back to what the industry defines as innovation. Creating automated products that enable customers to 'build' or 'request' a bet are undoubtedly interesting features but is not really that innovative.

True innovation in our industry should be about creating the best and most responsive user experience, the best pricing structures and models that offer operators the freedom and flexibility to opt for whichever strategy they wish to follow and, above all, working closely with partners to support them on what they need, enabling them to drive revenues and push ahead of their competitors.

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