



WEEK 24

FRIDAY 14 JUNE 2019

US CASINO REVENUE REACHES ALL-TIME HIGH FOR 2018

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THIS WEEK

- **GI looks at the esports-crypto relationship**
- **Novomatic planning Inspired sale**
- **New York casinos set for summer sports wagering launch**
- **New betting sponsors for Premier League clubs**

GUEST COLUMNIST:

- **Oren Cohen Shwartz, MD Europe & Latam, Skywind**



US commercial casino gaming revenue reached an all-time high of \$41.7bn for 2018; a 4% rise year-on-year.

The American Gaming Association (AGA) announced the industry generated \$9.7bn in gaming taxes for both state and local governments.

The legalisation of sports betting in several states is said to have played a vital role in the significant revenue growth, which is expected to develop further as mobile gaming begins to roll out across the US.

The current seven states which have legalised sports wagering are: Nevada, Delaware, New Jersey, Mississippi, West Virginia, Pennsylvania and Rhode Island. From those seven, Nevada, New Jersey and Pennsylvania currently offer mobile sports wagering.

Lottery officials have made mobile sports betting legal in Rhode Island, but it is not currently available. Mississippi and West Virginia are also still weighing up the option to bring mobile wagering to their respective states. West Virginia did briefly offer mobile sports betting, but the app had to be shut down due to issues with its mobile provider just before March Madness began.

Total sports betting revenue increased to \$430.2m from \$261.3m in 2017. Six states joined Nevada in legalising sports wagering following the PASPA repeal. Several more have followed suit but are yet to have physically launched betting.



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THIS WEEK IN NUMBERS

14

Years at Aruze Gaming for Chairman and CEO Takahiro Usui, until he resigned last week for personal reasons



58%

Majority passed GVC Holdings' new payment scheme, which involves reducing CEO Kenny Alexander's salary to £800,000 (\$1m) a year, at its AGM in Gibraltar



The Kansspelautoriteit is aiming for the Remote Gambling Act to come into effect on 1 July 2020, launching the Dutch online gaming market on 1 January 2021

78

Chinese authorities have arrested 78 suspects for organising online gambling through computer games in the eastern Anhui province, involving 128m yuan (\$18.5m)



Elsewhere, the Las Vegas Strip remained top of the largest commercial casino markets, generating \$6.59bn in revenue.

The Baltimore-Washington region became the US' fourth-largest casino market, with its revenue increasing 6% to \$1.88bn.

West Virginia was only one of two states not to profit, seeing a 0.1% decline compared to 2017. By comparison, Illinois, a state which has its doubts over sports wagering, declined by 2% year-on-year.

In New York, Resorts World Catskills, a \$1.2bn complex, opened in February. Although sports betting is yet to launch in the state, a license process has started after the New York Gaming Commission approved sports wagering in January.

New properties are also set to open in more states over the next few years, including Massachusetts, Pennsylvania, Illinois, Indiana, Arkansas and Nevada.

As a result of the new venues being built, gaming in Nevada employs over 409,000 workers, with New Jersey a distant second at 39,000; Pennsylvania employs 33,000.

Bill Miller, President and CEO of the AGA, said: "Year after year, the commercial casino industry has reaffirmed its role as an economic powerhouse in the US.

"Growth in the commercial gaming sector enables the industry to continue to reinvest in communities, enhance partnerships with small businesses and non-profits and provide career opportunities for nearly two million American workers."

Many industry analysts argue the increase in sports betting revenue has resulted in cross-selling to casino, with new players initially attracted by sports wagering happy to try new games once they have registered with a land-based property. The same principle is also propagated in New Jersey's online market.

Clearly, overall sports betting revenue is still a minute portion of the US gaming industry. However, the gaming sector's 4% growth certainly has something to do with sports betting revenue specifically.

The impact is difficult to precisely measure though, with sports bettors going on to engage in other verticals.

In New Jersey, year-to-date sports wagering revenue for 2019 up until the end of May was \$99.9m. Total gaming revenue has increased 27% year-on-year to \$1.31bn, indicating sports wagering has had a marked impact on the state.

ANALYSIS: TECH-SAVVY BETTORS WILL DRIVE CRYPTO-ESPORTS PARTNERSHIP

Betting on esports has a long way to go before it can compete with mainstream sports in terms of revenue and popularity.

Viewing numbers are rising, with the League of Legends Championships attracting 106.2 million viewers in 2017, and betting figures will naturally correlate. But it will need another push to cement itself; could it find that in crypto-currencies?

While crypto has come a long way, Eman Pulis, CEO of the Malta Blockchain Summit, thinks there is still a knowledge gap putting players off. He believes crypto-currencies are inching closer to the mainstream, though they're not quite there yet.

It is likely however, this gap will be closed as the next generation of bettors comes through. How many generations is unclear. But if the rise of online gambling from its origins in high street betting shops is any indicator, once

momentum builds, it will be hard to operate without the payment option.

So what does the future hold for this partnership? Pulis believes both industry sectors have flourished separately, until recently.

Pulis exclusively told *Gambling Insider*: "A changing user demographic means the more traditional player has been replaced with users that are more tech-savvy, more interested and knowledgeable about crypto-currencies.

"As that knowledge gap narrows, esports companies are more likely to shift their focus towards digital currencies. Their confidence in doing so is partly down to the fact blockchain offers an ecosystem for crypto-currency transactions that is safe, fast and transparent; mitigating a lot of the associated risks."

Pulis was speaking to *Gambling Insider* for a feature in the July/August magazine.

£40.7m



Loss for Betfred after tax for the 12-month period up to 30 September (\$51.8m)

£1.2m

Fine paid by Gamesys to the Gambling Commission for social responsibility and money laundering failures



Of the 198 suspicious betting alerts generated in Q1 by Global Lottery Monitoring System were reported to its partners

INSPIRED TO ACQUIRE NOVOMATIC UK'S GAMING TECHNOLOGY GROUP

Inspired Entertainment has reached a definitive agreement to purchase the Gaming Technology Group (NTG) of Novomatic UK, for \$120m in cash.

Completion of the deal would see Inspired manage more than 75,000 gaming machines across the continent. Through shared costs and increased scale, Inspired expects to achieve synergies of \$12.3m to \$13.3m.

It also expects to reduce capital deployed in the pub gaming sector, as the sector continues its ongoing digital transformation.

The acquisition is still subject to the approval of regulatory authorities, but is expected to conclude in the third quarter of the year. In conjunction with the transaction, Inspired is expected to refinance its existing indebtedness with a new £220m (\$280.6m) loan and £20m revolving credit facility.

Stewart Baker, Inspired Entertainment EVP and CFO, said: "The proposed financing is at a lower interest rate than our existing debt

and is a major step in improving Inspired's capital structure".

NTG is comprised of six companies; Gamestec Leisure, Playnation Limited, Astra Games Limited, Bell-Fruit Group Limited, Harlequin Gaming Limited and Innov8 Gaming Limited. The casino assets of Astra Games will not be included in the Inspired deal.

Lorne Weil, Executive Chairman of Inspired Entertainment, said: "The potential acquisition of NTG is transformational for Inspired, enabling us to dramatically increase the size, scale and scope of our business by combining our highly complementary, but largely non-overlapping, businesses.

"Inspired and NTG currently operate in different segments but have much in common in terms of providing resources for our customers and their consumers. This combination would provide additional resources for our core businesses and combine the great content and machine portfolio from each."



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THIS WEEK'S WINNERS AND LOSERS

WINNERS

Catena Media – The affiliate has officially launched in the state of Pennsylvania

Racing Post – The company's sports brand, **Intellr**, has released its new in-play football product

Caesars Entertainment – Varying reports have suggested a merger between the operator and **Eldorado Resorts** is edging closer

Donaco International – Has named former **Star Gold Coast COO Paul Arbuckle** as its new CEO

West Virginia – The state's lottery officials have announced its sports betting app will be delayed

LOSERS

NEW YORK SPORTS BETTING SET FOR SUMMER LAUNCH AFTER APPROVAL

The New York Gaming Commission has approved regulations to allow sports betting at four of the state's casinos.

The Commission had voted to approve sports wagering in January and has now finalised all rules and regulations to do with the vertical.

Resorts World Catskills, Rivers Casino and Resort Schenectady, Tioga Downs Casino Resort and Del Lago Resort and Casino will all offer sports betting as previously planned.

The licensing process will now begin, with the upstate casinos likely to be awarded a license later this summer, before the next NFL season.

Tribal casinos also have plans to offer sports wagering, although mobile wagering within the state is yet to be approved.

Governor Andrew Cuomo has opposed mobile sports betting in New York, while

Senator Joseph Addabbo Jr. recently revised his proposed mobile bill to include in-stadium wagering.

Despite the political delays, industry stakeholders have remained confident New York will eventually offer mobile sports betting. In April, Kambi CEO Kristian Nylén told *Gambling Insider* it is "definitely" going to happen.

He said: "In my mind, it's only a question of time. Unfortunately, it seems like it will take some time but it will happen. It's only a question of how long it will take.

"I think when it starts, there is no turning back. The public opinion around sports betting is very positive and most states need the tax income. So I think it is definitely going to happen."

For now however, players in the state will have to contend with wagering in upstate casinos.

PREMIER LEAGUE CLUBS CONFIRM NEW BETTING SPONSORSHIPS

Premier League football club Aston Villa has announced a "record-breaking" commercial agreement with W88 for the 2019/20 season.

Having sponsored Wolverhampton Wanderers last season, the Asian operator has remained in the UK's Midlands and its logo will now feature on Aston Villa's home and away shirts.

W88 specialises in sports betting, live dealer casino, poker, slots and lottery games.

Aston Villa was previously sponsored by 32Red, which also sponsored Leeds United, Middlesbrough, Preston North End and Derby County last season. Aston Villa CCO Nicola Ibbetson said: "This is a record-breaking commercial partnership for the club; our promotion to the Premier League offers our club partners a global platform to reach our worldwide fan base."

Hilly Ehrlich, W88 Business Development Manager, said: "W88 is a renowned online gaming brand with a significant member base. The brand represents trust and integrity, with sports, namely soccer, at its core."

Wolves recently swapped W88 for new sponsor ManBetX. The club announced its new sponsor as the largest in the club's history.

The long-term agreement will see the operator become the main shirt sponsor for the first team, under-23s and adult disability teams.

Wolves Managing Director Laurie Dalrymple said: "We felt the scale and ambition of ManBetX was closely aligned to ours. I'm confident we can achieve great things in what is Wolves' largest-ever sponsorship deal."

Elsewhere, Burnley announced a new three-year shirt sponsorship deal with LoveBet. The operator is the official Asian betting partner of French Ligue 1 champions Paris Saint-Germain.

LoveBet's branding will appear on the front and sleeves of all adult home and away Burnley shirts.

Gambling sponsorship in sport is the latest topic discussed in the *GI Huddle* podcast.

THE WEEK IN QUOTES

"One of the problems we always face is gambling is never a vote winner, it can only be a vote loser. You can't [stop outliers from letting the industry down]. Every industry and sector has this."

Responsible Affiliates in Gambling Chairman Clive Hawkswood talks to *Gambling Insider* about the affiliate sector's reputation

"There are several aspects crucial to land-based slot gameplay which must be adequately translated for players to get the most out of the online experience; the look and feel of a land-based slot must be mirrored closely."

Yossi Barzely, Chief Business Development Officer at Pragmatic Play, discusses online slots with *Gambling Insider*

"There are a lot of big names out there. But if you really look under the cover for the features that set you apart, you need to analyse what the long-term advantages of using a system are."

Amelco USA President Rob Bone analyses what US sportsbooks need with *Gambling Insider*

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NJ REVENUE GROWS

New Jersey's new gaming options, including Hard Rock, Ocean and sports betting, as well as the continued strength of online gaming, grew gaming revenue 27.14% year-on-year for May.

Gaming revenue growth was led by Resorts, which continues to be resilient against Hard Rock and Ocean, New Jersey's two newest casinos that opened last June.

Land-based casinos grew 15.25%, but fell 7.98% when factoring out the new casinos.

Resorts and Caesars AC were the only two land-based casinos to grow revenue year-on-year, as Hard Rock and Ocean continued to cut into existing casinos' revenue.

Sports betting handle grew 1.66% for May versus April, while online handle accounted for more than five times retail handle.

Meadowlands, where Flutter's FanDuel operates sports betting, once again led the state, in terms of sports betting revenue.

Online gaming continued to grow strong and was led by Resorts Digital, which more than doubled last year's revenue.

Online poker fell for the fourth straight month.

NJ GAMING TOTAL

MARKET/PROPERTY	REVENUE (M)	(%) CHANGE
Resorts	\$24.133	+26.01
Golden Nugget	\$31.246	+10.32
Caesars (CZR)	\$27.416	+3.95
Bally's AC (CZR)	\$15.993	-0.42
Harrah's (CZR)	\$25.609	-6.72
Borgata (MGM)	\$61.310	-7.13
Tropicana (ERI)	\$29.320	-14.56
Hard Rock	\$30.241	N/A
Ocean	\$17.385	N/A
Meadowlands	\$8.662	N/A
Monmouth Park	\$1.355	N/A
NJ Total	\$276.773	+27.14
Same Store	\$214.310	-1.56



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*Schwartz discusses
condition-based and
meta-game engagement*

Both condition-based and meta-game engagement are developed and deployed as separate pieces of software.

They're not an integral part of the host software, whether that's video slots, live casino clients or RNG-based table games.

Condition-based engagement looks at the player over an extended period of time. It looks at past activities, recent activity and, based on these, tries to predict and guide future activity. You can look at condition-based engagement as a contextual interaction with a given player, which happens only at the most appropriate time. This type of engagement ensures high relevancy, because it's triggered in accordance with what the player is doing and has done in the past. This type of engagement tool uses the information collected to predict what the player may do next and what is best to offer.

Meta-game engagement has a different function. It's always there and has constant contact with the player. Meta-game engagement is achieved through the use of features implanted into a game. This could be a single feature or a group of features – the choice is yours. The point is it is active during gameplay. You can choose whether you prefer to use a low-interaction feature or a high-interaction feature, or mix them up. The goal is to choose the features to enhance the players' experience of the game, making it more appealing, immersive and, at times, more intuitive.

In terms of UI, meta-game features will have UI which is, potentially, constantly on display; as opposed to condition-based engagement features where the UI display changes case-by-case.

Players today receive offers from their brand via email and SMS. But these CRM channels are not effective enough. In-game, contextual offers done in real time are far more effective and create a better player experience; this is exactly what condition-based engagement is all about. It takes into consideration the players' past activities, recent ones and what they are doing at that moment and then predicting

what they may do next. It is important, because the chance for successful engagement with players gets lower as time lapses.

In a challenge feature where the player is required to bet a certain amount of money within a given time and then gets rewarded, it is important not to pre-set both the criteria and the reward amount like a one size fits all. A successful challenge feature takes into account things like the player's average bet size, VIP level and LTV. It has to, or it may do more harm than good to the player experience.

Simplicity is important. When successfully implemented, challenge features do not obstruct the gameplay or steal focus, but rather blend seamlessly into it. For example, right now, it is common to see the tournament UI for video slots appear outside the games. But it's bad practice and less effective. That's why, at Skywind, we implement the tournament UI inside the game, so the players have everything they need on the same screen.

The older ones within the millennial group have already entered their adulthood and have the income allowing them to play games of luck or chance. Another characteristic of this specific audience is they feel digital empowerment; they know there are a lot of options to play online so they have low tolerance and loyalty. The sentiment toward "what's in it for me?" is higher and player engagement mechanisms are increasingly important when attracting and retaining such players.

I think we can see two needs developing here, but I don't think they necessarily collide, even though it may look like they do. We're already seeing a growing trend of players expecting to be engaged and entertained in a much richer way than before. Generation Z and millennials represent new generations of gamblers already used to a higher level of stimulation and interaction. Content providers and operators who don't embrace these changes and evolve accordingly will be left behind.

"Players today receive offers from their brand via email and SMS. But these CRM channels are not effective enough. In-game, contextual offers done in real time are far more effective and create a better player experience"

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