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WEEK 41

FRIDAY 11 OCT 2019

DRAFTKINGS' JAMIE SHEA:
WE "ABSOLUTELY" SEE
INDIANA FOLLOWING
NEW JERSEY'S SUCCESS

U L T I M A T E
F R E E D O M

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THIS WEEK

- **GGA Las Vegas just around the corner**
- **Hpybet and Interwetten execs speak to *GI***
- **GVC posts Q3 results**
- **Casino Technology VP talks to *GI* in Bulgaria**
- **Sportradar exec on the fundamentals of US sportsbook**

GUEST COLUMNIST:

- **Michael Maokhamphiou, Operations Manager, Lightning Box**

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DRAFTKINGS' JAMIE SHEA: WE "ABSOLUTELY" SEE INDIANA FOLLOWING NEW JERSEY'S SUCCESS



DraftKings has officially launched a mobile sportsbook in Indiana; the third state in the US where the operator now offers its iOS and Android apps.

From a retail standpoint, the operator is also powering three new Wild Rose sportsbooks in Jefferson, Emmetsburg and Clinton in Iowa.

Following DraftKings' new launches, *Gambling Insider* spoke to Head of Sportsbook Digital, Jamie Shea.

U L T I M A T E F R E E D O M



THIS WEEK IN NUMBERS



€5,000

The amount Paf has cut its annual loss limit by (\$5,493), to €25,000

\$46m

The agreed amount for Churchill Downs' purchase of Turfway Park



\$1.4bn

Year-to-date revenue for La Française des Jeux, a 7% rise year-on-year

\$735m-\$800m

The expected settlement MGM Resorts International will pay victims of the Las Vegas shooting in 2017

6

G2E partners with the Global Gaming Awards Las Vegas for the sixth year running



What are your hopes for handle and revenue in the Indiana online sports betting market? Do you see it comparing to New Jersey over time?

We absolutely do. I think, just from the numbers we've seen so far, 58% of the bettors in Indiana using DraftKings have never bet with us before, so we've definitely seen an uptick. It's something Indiana has been wanting and we can see that in the numbers. The players are having a lot of fun with it and there are a couple of high rollers in there. We're seeing it being a lot of fun for the Indiana population.

How does operating in Indiana, regulation-wise, compare to other states? Is it fair to say tax rates and vendor fees are quite reasonable?

They got it right; I'm so impressed with Indiana regulations. One of the things we're trying to do overall is eradicate illegal markets and promote responsible gaming. I think Indiana making it mobile, where you don't need to go in anywhere to sign up, you take away that power from illegal markets, because you offer players that same ease into the game. We want it to be great fun for them and I think the way regulators did it in Indiana, other states should be looking at it as well, because that's going to be very successful.

How quickly do you expect the market to fill up with new competitors – and is there anyone in particular you are keeping an eye on?

I think competition is healthy; if you don't have competition, you're not innovative. But we've kind of proven already that we're best in market. We're happy to have that competition and continue to do our best by our customers. We're constantly innovating, doing focus groups, getting out there with surveys and finding out what bets players are interested in and what they aren't interested in.

How do you see the Flutter – Stars Group merger impacting DraftKings, in terms of FanDuel's partnership with Fox Bet in particular?

I don't really see that there's going to be any more competition than there already was. I think it's a very interesting deal. I don't know enough about it to comment on it too much, but it'll be interesting to see how it plays out.

Looking at other markets, how has DraftKings found the early trading in West Virginia?

It's been good. They also did it with mobile, which I found very important. Really, to be a success, you have to have mobile wagering. Pennsylvania came in initially without mobile, then looked at it and said: "We need to do this as well." Because that's what people want; I tell people all the time that I can't remember the last time I went into a brick-and-mortar store to buy something. I'm always online and on mobile. I think having the mobile product makes it where you're sitting with your buddies on the couch in West Virginia, betting on your team and making the game that little bit more exciting.

Are there plans to expand into any more states soon? Which states are you targeting next?

Our goal is to get into every state where it's regulated. We want to be in those states so we're working diligently to get into every state we can; we just opened up in Iowa with retail. There are states I'm super interested in seeing becoming accepted. I truly believe in the next five years, you're going to see it across at least 40 states.

5

IGT has signed a five-year deal with the Oregon State Lottery



75%

Percentage of Sky Bet customers who placed bets on Enable in the Qatar Prix De L'Arc de Triomphe

10%

The proposed tax on operators' net sports betting revenue for a regulated market in Colorado



GLOBAL GAMING AWARDS LAS VEGAS 2019 JUST THREE DAYS AWAY

The winners of this year's Global Gaming Awards Las Vegas will be announced three days from today, with all preparations now in place for this year's luncheon ceremony.

More than 500 industry professionals will be present at the Sands Expo Convention Center on Monday 14 October to see the winners confirmed in all 12 categories, in an event to kick off the G2E show.

Now in their sixth year, the Global Gaming Awards Las Vegas have quickly become the most trusted awards in the industry, and being nominated is a clear sign a gaming company belongs among the world's best.

Proceedings for this year's show will begin at 12pm in the Bellini room, where lunch will be served before the official presentation gets underway.

The winners have been decided by an expert panel of 100 Judges and the voting process was

independently adjudicated by KPMG Isle of Man.

Aristocrat and Scientific Games were the standout winners at last year's ceremony, taking home five Awards between them.

Julian Perry, *Gambling Insider* COO, said: "I can't wait to get going on this year's ceremony and it will be great to once again see so many of the industry's biggest names in the same room at the same time.

"The fact we had so many Judges voting this year is testament to how many important executives want to be a part of the Awards."

All nominations in all categories are detailed in this year's Global Gaming Awards Las Vegas Shortlist magazine, which is available here and will be distributed in print at G2E



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THIS WEEK'S WINNERS AND LOSERS

WINNERS

William Hill - Became the official sports betting operator of the NBA

LeoVegas - Had its Swedish licence extended to five years

British horseracing - Was informed it must plan for how the sport can continue to operate if a no-deal Brexit occurs

Casumo - Had an advertisement banned by the Advertising Standards Authority, which concluded it had not been responsibly targeted

SportPesa - Was forced to cut over 450 staff following its exit from Kenya

LOSERS

HPYBET & INTERWETTEN EXECS DISCUSS SPONSORSHIPS AND GERMAN REGULATION

Gambling Insider caught up with Hpybet CEO Andreas Köberl and Interwetten Speaker of the Board Dominik Beier to talk about sports sponsorships and German-speaking gaming markets.

What does Interwetten aim to gain from its high-profile football sponsorships?

DB: Obviously as we operate in various different markets like Spain, Greece, Austria, Germany and Sweden, for each market we have different goals. In some markets, our brand awareness is already quite high. In others, we need to build it up. Unfortunately, there's not a common strategy for one sponsorship in various different markets, although there is of course, a bit of an overspill.

But in the end, sponsorship is different for every market, whether it's about brand awareness, bet engagement or fan activation. We recently became the main betting partner of the Greek Super League, which is quite a big step for us. The good thing about sponsorship is you can use it in so many different ways.

What is Hpybet looking to get out of the German market, considering pending regulatory changes?

AK: At Hpybet, we are already used to heavy regulation in Austria. There are nine different states in Austria with nine different laws and we have multiple licenses. Currently, they are extremely different. In Germany, it's not as hard as it looks for purely online operators. For us as a retail operator, it's a good thing to have clear law.

The whole industry will move more closely together. I expect 50% of the retail operators in Germany to disappear. We have roughly 80 in Germany and all the small operators will have no chance to get past this regulation. There will be a transformation starting next year for at least 18 months and it all depends on the reinforcement.

We see it in Austria, we have several states where it works great; if you comply, you have no problems and if you don't, the enforcement is very strong. Restrictions don't help anyone if there's no enforcement.

[Click here to read the full interview with the Hpybet and Interwetten executives](#)

THE WEEK IN QUOTES

“There has been an encouraging increase in the number of operators investing in and developing algorithms and machine learning to identify customers who may be experiencing harm. We have also seen increasing numbers of operators evaluating the effectiveness of their identification tools and customer interaction processes.”

Neil McArthur, Gambling Commission CEO, praises the UK gambling industry at the Raising Standards Conference

“It’s about that value exchange: you can’t make anyone buy something they don’t want to. The joy of a capitalist culture is it’s got to be mutually beneficial. It’s all about added value – but that added value will be different for every person. When you find that sweet spot, that’s when you have genuine loyalty.”

3Radical Commercial Director Rachel Swann speaks with Gambling Insider about building customer loyalty

“This sportsbook will be a flagship venue for the industry and will serve the sports fans in the Washington D.C. area unlike any other. Partnering with Ted Leonis and the entire Monumental team was ideal. They share our vision and principles for bringing innovative sports betting opportunities to fans in a responsible way.”

Joe Asher, William Hill US CEO, on the operator’s plans for a sportsbook at Capital One Arena

GVC UK RETAIL DOWN 18% FOR Q3 AS BETTING SHOPS CLOSE

GVC Holdings has announced an 18% year-on-year fall in UK retail revenue, which the operator attributed to the reduction in maximum stakes on fixed-odds betting terminals, (FOBT) from £100 (\$122.40) to £2.

This led to a 2% fall year-on-year in constant currency overall net gaming revenue (NGR) for Q3 2019.

However, total NGR fell 1% when not measured at constant currency.

The operator, which owns Ladbrokes Coral, insists its progress in UK retail remains ahead of expectations, despite the impact of the FOBT cut and like-for-like machine NGR seeing a 36% decrease.

GVC announced the part-substitution of displaced machine revenue saw a 7% like-for-like increase in over-the-counter NGR.

GVC closed 41 of its betting shops during the period, taking its total closed as a result of the Triennial Review to 198.

The operator said 900 of its betting shops are to be closed over the next two years as a result of the maximum stake cut.

However, GVC did announce it would be increasing its full-year EBITDA guidance range to £670m-680m, after seeing online growth of 16% (15% at constant currency) for Q3.

Kenny Alexander, GVC CEO, said: “I am delighted the group’s financial performance has allowed us to upgrade our full-year EBITDA expectations again.

“Online momentum remains strong across all major territories, with NGR up 12% in the quarter.”

In September, Roar Digital, the 50/50 joint venture between MGM Resorts International and GVC, launched the BetMGM online app in New Jersey.

The product incorporates GVC’s sportsbook platform into a rebranding of PlayMGM, first introduced by MGM in 2017.

CASINO TECHNOLOGY VP: GLOBAL PRODUCTION HELPS IMPROVE EFFICIENCIES

Rossi McKee, VP at Casino Technology, spoke exclusively to *Gambling Insider* in Bulgaria about the supplier’s global production strategy and understanding its customers.

You manufacture and develop your product right across the world. What is the thinking in spreading your production line globally?

Casino Technology started as a local supplier but quickly expanded to other regions; initially to the east, later to the west. In 2005, we decided to cross the ocean and go to Latin and North America. By expanding internationally you obviously try to position yourself and look to see if your product is well accepted. What can you do to make it better suit the market and operator demands? Of course, you always have to look at the logistics of how you will supply the product.

We wanted to make our supply more streamlined and efficient. We currently have manufacturing facilities in several countries; two in Europe, some in North America, one in Mexico and we work with a partner-supplying company in Asia as well. The logistics spread is very important, in terms of operational

efficiency and taking advantage of effective ways to produce the final product.

With your global development, do you find certain products or certain parts of products are best produced in specific regions?

Our unique point is that we keep our design and our engineering in-house. But after that we seek the optimal channels to supply from. For the software design we do a mix of some in-house and some third-party designers. We do keep the majority, about 80% to 90%, in-house. But certainly, there are areas where we find benefits in utilising the skill and experience of local third-party game designers.

How do you make sure you understand your customer?

That’s the question every manufacturer asks – where is the magic? There are different tools and methods of trying to understand that. We do surveys and focus groups and talk to operators and take their opinions. One of the main helpful things we found was to do field tests with customers and closely monitor the progress of the machine.

THE FUNDAMENTALS OF US SPORTSBOOK

AHEAD OF THIS YEAR'S G2E, **WARREN MURPHY**, SPORTRADAR'S MANAGING DIRECTOR (BETTING AND GAMING), OFFERS HIS TAKE ON HOW BEST TO APPROACH SPORTS BETTING IN THE US



We are continuing to witness fragmentation in the US sports betting market, with some states opting for online and mobile betting, while others at the moment have only allowed for land-based betting. With the presence of a billion-dollar illegitimate market across mobile apps and offshore websites, it's easy to understand the tentative approach when it comes to online and mobile betting. This may sound like bad news, but it's still early days for the US market. It may take some time to prove, but with the licenses and controls required with legal betting, there is more capability to oversee, and therefore help quash, unlawful offshore activity. Arguably, this is one of the major reasons why countries should, and do, enable legalised betting in the first place.

As the numbers suggest, US sports betting has performed strongly in those states that have opened the door to online and mobile betting. It has been well-documented for example, that online betting accounts for around 80% of legal bets in New Jersey. As such, operators who are looking to make it big in the US ought to look at investing in online and mobile for the long term. After all, success in any betting market requires the ability to provide an offering that suits the current and future. This is more

difficult in emerging markets where the environment is constantly evolving. The most effective operators however, will make their way through this landscape by arming themselves with the right tools and support.

This is as much about mitigating the risks as it is about finding ways to prosper commercially. For any business wanting to unlock a successful sportsbook offering, it comes down to a few key components.

FAST AND QUALITY DATA

Using sports data that is unreliable and slow, especially as part of live in-play betting, leaves the door open for significant errors, which can reduce the value and legitimacy of a bookmaker in a player's eyes. This is especially so for sportsbooks online and via mobile, given the increasing competition within the market, the ability to monitor price differences and the ease at which customers can switch to other websites and apps.

There are a number of ways to ensure the data fuelling your sportsbook is as fast and as accurate as possible. The most obvious is having access to data straight from the source, in a number of instances through

the leagues themselves. With a verified data stamp, you can add significant value to your offering.

As the middle man between sports, betting and media companies, a reliable data provider can grant this access. Such companies invest in establishing relationships, including data partnerships, with sports leagues and bookmakers to manage and monitor big data.

ENTERTAINMENT

Data and technology are the foundations of any successful sportsbook. But to really boost this offering, and to achieve a point of differentiation, it is essential to understand the customer and provide ways to augment their betting experience. This includes knowing what sports to cover and what type of wagering opportunities and entertainment options should be offered. Again, thanks to advancements in online and mobile technology, there are many ways to achieve this, including contextual game content and statistics, as well as gamification opportunities to stimulate, educate and extend interaction opportunities beyond the event itself.



OH RISES; MD FALLS

Ohio gaming revenue rose 1.89% year-on-year for September, up for the fifth straight month.

Penn National led combined property revenue, benefiting from growth from all four properties in the state and generating a third of Ohio's total revenue.

Churchill Downs and Delaware North's Miami Valley Gaming grew for the 15th straight month.

Maryland casino revenue fell 1.08% for September.

Growth and revenue generation were led by MGM National Harbor, which grew for the third straight month.

September had eight Fridays and Saturdays this year versus nine last year, but with an equal number of Sundays.

MARYLAND

MARKET/PROPERTY	REVENUE (M)	% CHANGE
National Harbor (MGM)	\$57.717	+6.04
Rocky Gap (GDEN)	\$4.796	+3.19
Ocean Downs (CHDN)	\$7.469	-0.42
Hollywood Casino (GLPI)	\$5.971	-4.71
Live! (Cordish)	\$47.706	-5.12
Horseshoe Baltimore (CZR)	\$18.565	-10.14
State total	\$142.223	-1.08

OHIO

MARKET/PROPERTY	REVENUE (M)	% CHANGE
Thistledown (JACK)	\$11.747	+14.07
Hollywood Dayton (PENN)	\$9.437	+10.77
Hollywood Mahoning Valley (PENN)	\$10.451	+6.40
Hollywood Columbus (PENN)	\$18.478	+5.88
Jack Cleveland (JACK)	\$17.234	+3.81
Miami Valley Gaming (CHDN/Del North)	\$13.820	+2.81
Scioto Downs (ERI)	\$14.844	+2.76
Hollywood Toledo (PENN)	\$16.659	+2.31
Jack Cincinnati (JACK)	\$15.995	-1.08
Belterra Park (BYD)	\$7.070	-3.50
MGM Northfield Park (MGM)	\$19.374	-11.44
State total	\$155.108	+1.89

GUEST COLUMNIST



MICHAEL MAOKHAMPHIOU

OPERATIONS MANAGER,
LIGHTNING BOX GAMES

Maokhamphiou takes readers behind the scenes of the slot design process, from start to finish

Have you ever wondered what provides the creative spark for a new slot game? What goes into the mechanics and the build? What provides the inspiration for the theme and graphics? What draws players to come back and play the games time and time again – or not, as the case may be?

Inspiration and ideas come from all places, whether it's something you watch on TV, going for a walk, browsing the web, or conversing with family and friends.

Here at Lightning Box, we brainstorm our game themes based on what we perceive to be entertaining and will appeal to most age groups, no matter what gender or race.

Our team of game designers may also base their game themes on what is trending in the market, including new film releases and hit video games.

The game mechanics (contained within a mathematics file) sees us looking into what will draw players back to the game, whether it be the entertaining and interacting bonuses, the free games, the jackpots, the pay direction, ways to win or the volatility.

We generally take two months to construct the maths using a game design tool called 'Slot Designer'. Art and animation for a game starts once we lock in a theme and is done in parallel with the game mathematics, as the artist and animator work together with the game designer to create the required symbols, elements, backgrounds and characters that go into the slot game.

At this point, we generally have a name earmarked for the slot, which is required to go through the trademark registry before we incorporate it into the slot game. Once we have finalised the assets for the slot game (normally through a few revised iterations) we have to get a sound engineer to construct audio files for the game based on the style of play, theme and effects.

We then prepare a package to the software team to develop. The production of graphical assets takes on average two to three months.

When we start the software development phase, we have the server (backend) built first by a licensed

aggregator. This server contains the RNG and the game's logic, correlating to the mathematics.

Once logic is in place and server is near final, we run volume tests to ensure the server's RTP is within the expected range. When results are satisfactory, we can move forward with developing the client (frontend), which is visually what players see when they launch and play a slot.

The developer will work alongside the game designer to incorporate all assets of the game, build and refine the features of the game, as well as fine-tuning the choreography. After several rounds of playtesting and the end product meeting the original design criteria, we'll approve the game for sign off and move it to the next phase, which is quality assurance.

The development aspect takes between three to four months, dependent on the complexity of the game and the type of feature(s) we incorporate.

Quality assurance is mandatory before a game goes to compliance. We carry testing conforming to the latest online gaming jurisdictional standards and requirements, as well as best general software practices.

The tests carried out include those on the pay table, playing the feature, on device, recovery, localisation and language, and integration. The duration of these tests is approximately one month. Once it passes all criteria, it can then proceed to compliance testing with an authorised test facility.

When a game is submitted for certification with the test authority, we work with the authority to identify the jurisdictions we wish to certify, so they can conduct their testing in line with each market's requirements.

Once testing is completed and all issues resolved, game certificates are issued, which marks that the game is compliant and ready for release to market. Depending on the markets the game will be certified in, compliance takes anywhere from four to six weeks.

When certificates are received, we work with our platform partner to configure and deploy the game for production. Product verification testing is conducted by our platform partner as the last test phase before it is enabled in production.

Operators are generally advised of a game launch three months before its scheduled go live. Overall, the process from starting design to the launch of a game can range from approximately eight months to a year.

The design process is fun, exciting, challenging and rigorous but well worth it when we see the slot out there with the online casino operators.

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