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And The Answer Is...

New Jersey will answer key iGaming questions.



By Paul Girvan

Finally, a significant U.S. jurisdiction has gone live with a comprehensive iGaming offering. The advent of iGaming in New Jersey operated under the auspices of the existing land-based casinos offers the nascent industry, and especially analysts like me, the first real-life test of theories developed out of primary research, both as a stand-alone model and in comparison to the long-established precedents based in Europe.

The two primary questions for which New Jersey will provide some answers:

First, what is the revenue potential of iGaming in the U.S., where casino gaming has become so popular in its bricks-and-mortar format?

I have personally conducted over 10 surveys on behalf of the Innovation Group, both regionally and nationally, where we asked players how likely they are to go online to engage in casino games for real money, how frequently they would do so and what volume of dollars they would be willing to wager.

Assessing these findings in association with trends from comparable spends in Europe, we have developed proprietary models and made revenue projections. However, as anyone with experience in primary research knows, it is difficult to extrapolate quantitative research findings into workable revenue models, especially in the gaming industry.

Using European data is also problematic given the large section of iGaming that is related to sports wagering, which is not permitted in the U.S. nor utilized to cross-market land-based operations. This is part of the reason we have seen variations in revenue projections ranging from \$200 million to over \$1 billion for New Jersey.

Our opinion is that the higher number is overly optimistic to say the least, while the lower number is more realistic.

Ultimately, we believe that the first 12 months of gross gaming revenue (GGR) for New Jersey will be lower than \$200 million, primarily because of the need to identify and/or pressure credit card

companies and banks to participate, and the natural ramp-up period that will occur with any new venture over the first two to three years. Regardless, the outcome in New Jersey will go a long way to providing a key benchmark for iGaming nationwide in the U.S.

For what it is worth, and to go on record, we believe that the New Jersey market could generate between \$150 million and \$200 million in the first full year of operation, depending on how quickly and to what extent payment processing issues are resolved. We believe this will ramp up over a three-to-five-year period to a stable state market worth between \$275 million and \$325 million in GGR.

Second question: In New Jersey, iGaming is re-

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stricted to existing casino license holders, which is the model that most U.S. states are now looking at. The most significant question surrounding this approach has been, will there be cannibalization of land-based gaming revenues?

This is an operator concern which we have addressed in all of our primary research work and one to which we have received differing answers. Nationally and in some regional surveys we found that there would be a small positive uptick in land-based revenues. This is typically attributed to the ability to reach players that might not otherwise come to a land-based casino via online incentives, as well as the encouragement of more committed players whose participation is reinforced through the online experience, particularly because of reward offerings.

However, in some regional surveys, the data suggests minimal declines in land-based revenues. While we think this can likely be attributed in large part to the difficulty of communicating iGaming

incentives for encouraging land-based trips via a survey format, it does inject a measure of uncertainty which operators, legislators and analysts would like to see some clarity around.

New Jersey will offer some indication as to the directional impact on land-based gaming, and we urge that the regulators publish the revenue data that would allow this type of analysis.

I am eager (now that I have gone on record with a number) to see the outcome in New Jersey, as it will provide a benchmark for other states considering iGaming. It may also offer some comfort to those concerned about the impact on existing land-based operations. I would caution everyone not to jump to conclusions as the first few months of data become available, since—given the vast range of expectations in the state—hitting the "mark" is all but impossible.

I anticipate the numbers will most certainly be lower than expected given the issues the process has had to overcome, but what will be important to watch is how the revenue numbers grow (or not) over the ensuing months and years. From this information we hope to be able to develop a model for projecting iGaming revenues, which is as accurate and robust as our land-based gaming models.

We will also be watching closely the land-based gaming revenues in Atlantic City looking for cannibalization and/or growth in land-based casino revenues. Again, caution needs to be exercised, for as we have seen over the last few years, competition from land-based casinos in surrounding states has seriously cut into Atlantic City's land-based casino revenues.

Determining the real impact of iGaming on land-based casinos in Atlantic City may only be possible at a micro level where the operator can track the success, or lack thereof, of an iGaming-to-land-based promotional effort.

Paul Girvan is a partner and managing director of the Innovation Group, in charge of its New Orleans office. Girvan has been providing feasibility analyses to the gaming industry since the early 1990s and in the last five years has increasingly focused on iGaming. The Innovation Group is co-producer of the iGaming North America Conference held in Las Vegas each March.