Understanding or Confusion with Online Poker and Gaming

By Steve Karoul

Casino operators rush to online poker, but confusion is everywhere. After attending the 2012 G2E Conference in Las Vegas and speaking with many casino operators and casino executives about the future of online Poker and online Gaming, it was very obvious that many were thinking very seriously about how to get involved. It was also very obvious that most of them were confused and unsure as how to proceed. Many felt that if they did not get involved quickly in some capacity or other that they may miss out on perhaps one of the most important Internet business opportunities of a lifetime as well as the future growth and survival of their own casino companies. They were all acutely aware that the casino industry as well as their own operations were going to change in the future and that they needed to prepare now for that coming change or get left out in the cold.

Once again the most obvious characteristic from all of this was confusion. There was confusion from both the casino operators and also confusion from the online casino providers. It seemed that many of the new online providers did not take the time to understand the fact that they needed to be conscious of and aware of what the land-based casino operators and casino properties were really looking for. This was even more obvious by the fact that many casino operators did not actually know themselves other than that they knew that they needed to be considering online gaming in one form or another.

Why is there such urgency among casino operators to carve out market share in either the online social gaming or online gambling spaces? According to a recent H2 Gambling Capital report, if US legalization of Internet gambling were to pass, it is projected to generate more than $14 billion in gross gaming revenue within a year, rising to $27 billion within five years. That's a real motivator for any casino operator to want to get involved in online real-money gambling, even if their state, or states in which they have properties, has not yet passed or isn't even presently considering online gambling legislation.

If your state has already passed online gambling legislation, and you haven't yet done anything about creating an online presence, you will quickly realize that you are now way behind where you should be and that urgent attention should be given to getting into the game. Casino operators, both large and small, will shortly be able to take advantage of the new opportunities that will exist from offering social online games in their state as well as other states and worldwide. Online gaming has incredible reach whether it is to your local loyal customers or to

new players who may live across the country or even around the world. The online gaming universe is almost unlimited.

The reason that this new online social gaming is so important for casino operators to consider is twofold:

1. First, it presents an opportunity to build an online presence and create a following for your casino brand.

2. Second, it positions you to be first or among the first when online gambling legislation is passed in other states or nationwide.

Online gaming is getting everyone's attention lately so it is important to understand the basics. This article will attempt to give an insight to some of the things that casino operators should be thinking about regarding online social gaming for their casinos.

WHAT TYPE OF SOCIAL GAMES ARE WE TALKING ABOUT TODAY?

Interactive games like Texas Hold'em Poker and traditional Bingo are the two most noteworthy games for building a following for your casino. Yes, there are standalone video poker games and standalone bingo games, but these don't build brand loyalty and foster a sense of social community like live poker and bingo do where the players can actually interact with one another through the chat function provided with the software.

Gambling operators such as Full Tilt, Pokerstars, etc., are a few of the big gambling names that were able to leverage the inherent social nature of poker on the Internet for real money. Other non-gambling games such as Zynga Poker and Farmville are examples of successful online social game companies that have leveraged the community/social aspects of online gaming to also make huge profits. However, none of these actually represent your casino brand.

This brings us to the big question: *Can Casinos successfully compete in the online social gaming space?* The answer is: Probably, but only if they really understand the social environment and if they launch with not only poker and bingo but also with other high quality interactive games that project the aura of playing real (gambling) games in a real "branded" casino with other players (even though they aren't actually gambling). To outpace competition, new interactive casino games would have to be periodically added, which would be a good way for casinos to test-market new casino games. Specialty games such as EZ Baccarat are spending huge amounts of money now to prepare for this. Others will also follow.

WHAT IS THE ULTIMATE OBJECTIVE?

The important thing casino operators will need to consider before jumping into social gaming is their ultimate objective. Is it to strengthen their brand recognition and encourage brick-and-mortar visits by new customers? Is it to make money in social gaming? Is it to position their casino for eventual real-money online gambling? Whatever the casino operator's primary objective is, they will need to understand the economics of the "free" game business from the aspects of revenue per player, cost of player acquisition and player retention. They will also have to understand that making "free" gaming work will require a much higher volume of players than they are accustomed to.

This is not to say that casino companies should be discouraged about the idea of entering the online social gaming space. However, their current culture of offering exactly the same suite of games as their competitors would be a flawed strategy that would not be recommended. This is especially true if they want to target Generation X and Generation Y players as future potential loyal customers. There are ways to be different and to be creative.

WHAT IS THE NUMBER ONE REASON FOR PROCEEDING WITH SOCIAL GAMING?

Casino operators that are still undecided about whether or not they should get into online social gaming need to understand that the world is changing and that a business strategy for a casino company that makes its living from people who like to play games will also have to change. Part of that change will be to include a free/social game component to their business model. Doing it properly will be the trick; otherwise the change may turn into a costly error with little or no benefit.

GETTING STARTED WITH ONLINE SOCIAL GAMING FOR CASINOS

To compete with the highly funded startups in the free/social gaming space, it will probably be best to start with the mobile environment first, and not Facebook or Google+. One main reason for entering into the mobile gaming space is that it's growing at a staggering rate. According to market forecaster Gartner, the U.S. mobile gaming market was worth $1.53 billion in 2011. By the end of the decade that number is expected to rise to $7.8 billion. Globally, Gartner thinks that mobile game sales could be worth $11.4 billion by 2014, up from $5.6 billion in 2010.

Casinos desiring to enter the online social gaming world need to also realize that there is a steep learning curve and therefore they will need to find a qualified business partner who has the substantial experience and expertise to guide them effectively.

If you are a casino owner or chief executive, and your objective is to eventually be a player in the real-money online gambling world, you need to first consider your immediate opportunities. Which states in which you have properties are in the process of legalizing online

gambling? Has one or more of those states already legalized online gambling? For the states that are not in the process, what is the likelihood that they will...and when?

WHAT MUST YOU DO *NOW* TO ENSURE YOUR CASINO WILL NOT BE LEFT BEHIND?

A. CONSIDER THE BENEFITS TO YOUR CASINO OF ONLINE SOCIAL GAMING

1. Enable your casino to establish an online presence now in the social gaming world and strengthen your own casino brand;
2. Build a database of new players who may be converted to your land based casino:
3. Conduct promotions to your existing players club members via the Internet;
4. Stay in contact with new and existing members when they are outside the walls of your properties; and
5. Create a whole new revenue stream for your company.

B. CONSIDER YOUR OPTIONS FOR GETTING INTO THIS BUSINESS:

1. Develop your own software and gaming platform. (time consuming and expensive)
2. Purchase or license existing software systems. (expensive)
3. Acquire an existing operator's company. (time consuming and expensive)
4. Partner with existing gaming or gambling software providers. (probably the best and most cost effective option in today's market)

Proceeding with any of the above options without first defining your objectives and goals could prove to be disastrous for you as an operator, especially if your entire organization and your outside support for this venture are not all fully attuned to your long-term interests.

FINAL THOUGHTS

It is important to mention the word "caution" at this point. In the mad rush to establish an online presence, several large casino operators seem to be choosing the same online operators or game developers as their competitors. It may be very difficult for these companies to give the kind of attention that is needed to each one of its many new clients at the same time. Before planning to launch a new system that could have a profound effect on the future of your casino, it may be better to align your casino with a company that will be able to give you their undivided attention, even if it costs a little more (and it may not). A casino may not want their new online system to look, feel and operate just like everyone else's. Players also do not want to play online in a cookie-cutter, same-same, environment.

Don't risk or jeopardize your success by jumping on the same bandwagon as your competitors when looking for a software company to provide you with a turn-key solution. There are many good boutique game software developers out there with new and unique ideas, new and better software, who are hungry and who will develop a killer product for your casino. You just have to look for them but find one that really is qualified as well as experienced. You do not want to be their first casino project or their Beta site. One such creative company also has a very clever 'educational component' to help insure customer loyalty to their site and your brand. This is a big decision for most casinos so take your time and do your homework properly before jumping in.

Look for a strategic partner that knows how to help casino management better understand and connect with their existing and target customers, from all aspects of the online business: hardware, software, online marketing, promotion, software security, new online game development, social media and online game operation. Make sure your online social gaming system can be quickly and easily converted from a pure social gaming platform to operate as a social gaming platform as well as a real-money online gaming platform when the time is right.

There is no doubt that more and more players will look to the Internet as their main source for finding information, paying bills, purchasing goods and services, and connecting with people, but the question now is how will casino owners and operators take advantage of this magnificent tool to bring more to the bottom-line for their companies? The opportunities for the future are huge, so start your research now and don't get left behind. Good luck.

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