

industry perspective



EVOLUTION... NOT REVOLUTION (YET)

Integrating non-traditional gaming products and programming into the North American casino experience

BY KARA HOLM

Casinos are exciting, or they should be: The lights! The sounds! The people! The thrill that comes with a chance to win! As an industry we have to keep innovating to maintain the energy that differentiates casinos from the many other entertainment offerings competing for a share of consumers' (limited) discretionary wallets.

OVER THE YEARS, we have seen significant changes to the retail, dining, services, and theatrical offerings surrounding the casino experience. Among other things, these changes...

- ...Shifted the business model and the value proposition at casinos;
- ...Attracted new customers; and
- ...Continue to move the needle on public perception, enabling social licence.

North American casinos continue to expand non-gaming experiences, and non-gaming revenues are contributing a higher percentage of total casino revenue, which is helping to grow the pie in most markets.

Now the focus has shifted back to the casino gaming experience. New kinds of gaming products, enabled by technology and propelled by consumer expectations, are being developed and are appearing on casino floors. The underlying driver for these new offerings connects with the social and entertainment aspects of the casino experience, which have always defined the industry. The new products complement the customer segment that is attracted to the expanded non-gaming experiences at casinos.

At conferences like the Global Gaming Expo (G2E) and the International Casino Expo (ICE) there is lots of buzz about innovative new products and new kinds of revenue-generating experiences for players. Terms like "social gaming,"

"skill-based gaming" and "eSports" have been coming up for years. Established manufacturers and new entrants are all eager to show off their latest products and services. Operators are forming partnerships with nightclub operators, celebrity chefs and eSports companies, all in an effort to be on the leading edge of new innovations.

Despite the new product options and social programming approaches, we have yet to realize a radical reimagining of the casino gaming floor in North America – even in large destination markets. Adoption and implementation have been cautious.

Our industry is involved with an evolution that builds on our core strengths, not a revolution.

PLAYER OPPORTUNITIES

Readers of *Canadian Gaming Business* will know that behind the drive to innovate is the need to maintain and grow revenues. As an industry we are good at creating offerings that appeal to core casino customers – people who select the destination because they like to gamble – but we are still working to become a more organic choice for casual customers, more oriented to the social and entertainment aspects of casino visits. The addition of non-gaming amenities has been an important part of the value proposition for this audience.

Last year, upon announcing the creation of a new role at Caesars

Entertainment — Executive Vice President of Gaming and Interactive Entertainment — Caesars President and CEO Mark Frissora said:

"Caesars will pursue a gaming development roadmap that creates new products, greater customer engagement and more interactive experiences. Special emphasis will be placed on mobile connectivity and apps within our worldwide resort properties."

Engagement and interactivity are the key words as we look ahead to the future of casino industry and the customer experience. Why?

Casual customers represent a significant opportunity for the industry. The number of individuals in this category is immense when compared with core, active players. Their contributions to gaming and non-gaming revenue, even if they are not loyalty program members, is significant because of the volume of patrons in this category. Encouraging additional visits from this segment, and increasing this segment's spend on both gaming and non-gaming activities while on site has huge potential.

To engage this under-monetized customer segment, operators must:

- Provide gaming product that appeals to this segment;
- Ensure customers in this segment know the products are available;
- Ensure that customers know how to play these new games.

Social Gaming Current usage of the term “social gaming” would include games played online, through mobile platforms or in person that allow some type of interaction between players. Social games may be competitive, collaborative, or a combination. In the casino industry we can consider “social gaming” as a way of taking the table game culture and moving it through other aspects of the casino experience. There are also online social casino experiences like Caesars Slots and MyVegas slots that are highly profitable for operators without offering real money betting options.

MOBILE EXPERIENCES

There are several apps available for the casino industry; most are oriented to traditional slot products and appeal to core casino customers. These social casino platforms available as apps also have a presence on social media channels and are an important revenue stream for the casino operators that have this offering.

There are not a lot of apps that appeal to the non-traditional casino customer – the eGamer. To help fill this void and to provide operators with a means of moving players to see new programming and product, we created Play the Field™. It is a mobile treasure hunt that helps players engage with more of the casino destination. Pilots of Play the Field™ will take place in casinos starting in April 2018 and we expect to see positive engagement in terms of frequency and customer spend on gaming and non-gaming activities. Casino Scouts, expected to launch in Q4 2018, is a mobile platform being developed in Las Vegas that describes itself as a “next-level B2C mobile marketing and engagement platform to the casino industry.” This platform will offer premium content designed to appeal to the eGamer.

NEW CASINO GAMES

According to Blaine Graboyes, CEO of GameCo: “Casinos have a massive opportunity to support gaming innovation that attracts ‘net new’ casino gamers and generates critical new incremental revenue.” Graboyes notes that new products are not cannibalizing existing gaming spend from core customers: “Skill-based games and video game gambling present the valuable opportunity for operators to attract new audiences and generate new dollars for their businesses.”

To activate this opportunity, the industry has been working to create relevant options for a new generation of casino customers, as well as the more tech-savvy current players. Skill-based slot products that look like video games and offer collaborative and competitive play options are being pioneered by GameCo, Gamblit, and are also being offered by traditional manufacturers like Konami. There are new kinds of electronic table games that feature live dealers, some with “remote” dealers, and others that are completely automated being presented by a number of manufacturers. The industry hopes these new products will make destinations more attractive to non-traditional customers and remove barriers to entry for some gambling products. The expectation is that these products will convert entertainment customers into gaming customers, adding incremental revenues. It is worth noting that electronic table games reduce risk of dealer error and can help operators manage labour costs.

In addition to the new style products, manufacturers are taking established, successful casino products and applying new technology to them to modernize the player experience. The expectation is that this will keep the gambling experience relevant and fresh for those important core customers, many of whom are tech-forward. Examples of this new kind of product include slot machines that offers haptic feedback or 3D viewing (both offered by IGT).

ESPORTS

The Downtown Grand in Las Vegas was the first casino destination to embrace eSports at its Bar and Game Lounge, open weekends. MGM's Luxor is set to open a new eSports destination

in 2018, the first on The Las Vegas Strip. We have seen eSports experiments in Canada. For example, Elements Casino in Surrey, B.C. tested eSports in 2017. We know other Canadian operators are investigating ways to get involved with eSports. The sustainability of eSports destinations, relative to the capital investment required, has yet to be demonstrated. Operators are still looking for the best way to monetize this new opportunity and it would seem the right business model has been elusive. Capital intensive projects may work in Las Vegas which has a high number of visitors, similar to the way in which Las Vegas can support resident Cirque de Soliel shows, but these projects will be more challenging in casino markets dependent on resident customers.

NEW CHANNELS ON THE HORIZON

In addition to products and experiences/programming, there are new revenue streams on the horizon. Some of these opportunities are contingent upon legislative changes, such as single event sports betting, now under discussion in several U.S. jurisdictions, and changes to allow online betting, also a live conversation. There is a lot of optimism in the industry, particularly among innovation leaders. Jason (Wolf) Rosenberg, CEO of American iGaming Solutions, a company that helps casinos assess and implement new technology offerings says:

“It's a very exciting time for us right now. The gaming industry as a whole was so resistant to changing the formula that has worked for the last 50 years, but we are finally seeing interest and adoption of new gaming verticals and technology.”

Wolf, who has extensive experience working in Europe and the United Kingdom, understands that some North American casino operators may feel threatened; but he encourages them to consider how they can augment their existing business lines with new channels:

“I think the biggest barrier is a lack of proper education of these new verticals that are already performing very well in regulated markets. . . Those operators that choose to

ignore the technology trends that are coming their way will probably find themselves in a very difficult position in the near future.”

We have met with some disrupters that are working on brand new platforms that have the potential to truly revolutionize the casino industry. While we can't provide any details due to confidentiality, these platforms could extend a casino's reach beyond its building, through a highly secure (and legal) technology and/or change the experience to one of mass personalization.

SOMETHING FOR EVERYONE

Of course, new types of products and experiences have to be introduced strategically, so they don't alienate core customers. These loyal players are fundamentally important to the sustainability of the gaming business and their needs cannot be ignored in the quest for new business. Micro casinos, featuring different gaming environments at a single destination, are a popular tool for operators who are trying to serve customer populations seeking sometimes opposing experiences. The basic casino experience can remain comfortable and familiar to core customers, while the operator can offer something different for its new audience.

Lavo Casino Club at the Palazzo is a nightclub with live table games. The Encore Players Lounge at the Encore offers social games like shuffleboard and billiards next to table games, with a DJ booth and ample seating available for good measure. Level Up at the MGM Grand offers “interactive skill-based fun” and has a number of social game options. Many Canadian operators and Crowns have been exploring various types of options such as party pits, stadium gaming installations and ultra-

lounges to name a few. The Zone at Casino de Montreal and BCLC's Block concept, presented at various locations including Grand Villa, are two examples of acquisition-focused micro casinos. Product is one aspect of these spaces, but the other, critical element is programming.

BARRIERS TO ENTRY

Adding new types of products and experiences requires operators to make a choice between using their valuable floor space for predictable revenue and new and unknown channels.

Alison Sterling, the General Manager of McPhillips Station Casino in Winnipeg, captures the very real dilemma in which operators find themselves:

“We want to provide a more social experience, but it is difficult to let go of the traditional expectations of win/unit/day (WPU) as the main indicator of success. I see commitment as the biggest part of the challenge. When we go in a new direction, we are risking valuable space on our gaming floors for a relatively untested market. If we are not fully committed to the ‘intention’ of social gaming products, it is very easy to give up on them early in the process because the results are not what we are used to.”

In terms of gaming product, operators know what to expect and how to measure traditional slot or table game performance. To date, many new products have not produced at the same level. Game manufacturers are working to improve the performance of new products. GameCo's Blaine Graboyes understands the issue:

“...These new games need to be judged against reasonable metrics and it's definitely possible for skill-based games to generate WPU similar to slot machines. A new generation of games from GameCo planned for

release in early 2018 bring the same pace of betting as slot machines to the video game gambling machines. This not only increases Coin-In and WPU but also improves player engagement as gamers enjoy the possibility of winning every 6-10 seconds. These evolutions and enhancements will drive the adoption of these innovations with casinos.”

Another barrier is the investment required to develop eSports spaces and the opportunity cost of:

- Having space that is only active during a relatively small portion of opening hours.
- Providing labour to activate the programming that will differentiate these experiences.

We are a long way from the casino of the future. But we are gradually migrating the destination casino's gaming experience towards something that will look quite different from the gaming experience of 25 years ago.

The evolution is happening within the framework of established casino norms, building on the casino's core strength as an entertainment destination. Player engagement and interactivity are leading the latest phase of the evolution. Casino operators seem open to changes, not just as a matter of survival or relevance, but from a genuine interest in offering exciting, relevant channels through which to engage their players.

As someone working in the technology side of the casino industry, I believe a major disruption is on its way — a possible transformational revolution — but I am confident the industry can and will adapt. ■

Kara Holm is the Founder of Play the Field™, the first augmented reality mobile treasure hunt and gaming platform for the casino industry. Play the Field™ combines the mainstreaming of augmented reality with the traditional casino strength in rewards so as to engage casual customers with the casino destination. We offer an entirely new casino experience for the eGamer. Play the Field™ gives operators the power to move Millennials. For more information, visit www.letsptf.com

eSports Tournaments where spectators view others competitively playing popular video games. According to The Telegraph: “Generally, the easiest definition is competitive gaming at a professional level.” Many casinos see an opportunity for new customers and revenue channels by developing eSports programming, and sometimes through the creation of purpose-built facilities where customers can play or view eSports events.