

# Interactive

ONLINE GAMING  
COLOMBIA

## Colombia: perfect online blend or over-roasted?

R. Franco's Alejandro Casanova speaks to G3 about the opportunities and the pitfalls (mostly regulatory) that makes the Colombian online market such an exciting prospect

As Colombia becomes the first country in Latin America to implement a workable regulatory framework, R. Franco Group's New Business Development Director & Chief Digital Officer Alejandro Casanova discusses opportunities for operators in the market and the wider region



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It is no exaggeration to say that Latin America is the most exciting emerging region in the gaming world right now.

Operators and suppliers are scrambling to take advantage of the opportunities that are opening up as jurisdictions push through new regulation. But at the same time, they are quickly learning that Latin America poses a series of unique challenges that tend not to be present in the more mature online markets of Europe.

While it is important to lean on those with existing expertise in the region, it is also essential to understand that as Latin America moves towards a similar dot country model of patchwork regulation as we see in Europe, a local approach to individual markets is crucial.

### STEPPING STONE

With this in mind, Colombia is being viewed by many operators and suppliers looking to make the leap into Latin America as an ideal stepping stone.

The country has led the way in terms of establishing an intelligent and workable regulatory framework for the online sector, with

the country's regulator, Coljuegos, recently issuing its first online gambling licence.

Coljuegos has already said it expects to issue further licences in the coming months, with the intention of raising around US\$2.5 million in gaming taxes annually.

Under the framework, licensed operators will pay between 15-17 per cent tax on gross gaming yield, and must maintain a return to player of 83 per cent.

The regulator has said that it will back up the licences by enlisting the country's Ministry of Information Technologies and Communications to enforce a ban on more than 300 gaming companies that are not licensed, in an attempt to successfully channel users into the regulated sector.

"We want more operators to obtain authorisation from Coljuegos to achieve a strong sector, in tune with new technologies," Juan Pérez Hidalgo, president of Coljuegos, said in June.

### TRANSITIONING ONLINE

Colombia provides an opportunity for operators

to establish a legal presence in Latin America for the first time in a European-style regulatory framework.

Many major online operators have already been enjoying an increase in custom from Colombia over recent months and years, with betting and gaming a well-established pastime for many in the country.

Much of this has been the result of a thriving land-based sector, and we can expect to see those operators that have enjoyed land-based success to look to extend it into the online realm.

One such operator is Corredor Empresarial S.A., which plans to enter the online market with the help of R. Franco Digital, which is providing its latest-generation IRIS omni-channel platform, along with a variety of online games and sports betting services.

The operator chose to integrate R. Franco Digital's IRIS platform on account of its modular and flexible approach to gaming, its wide range of content, and its omni-channel expertise.

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Corredor Empresarial controls the nation's largest commercial network of luck and chance games, operating 25,000 retail points of sale comprising a total of 75,000 gaming terminals, which helped it generate a total operating income of US\$78.5m in 2016.

The operator is in a strong position in terms of brand and local knowledge, but what it has lacked is a great deal of experience in providing an online solution, which is why it turned to R. Franco Digital.

Operators in a similar position in Colombia and beyond need to consider carefully the best way to approach the new online opportunities that are now emerging.

These operators could do worse than to look at

the fate of similar firms in the UK and Europe, where many land-based and high street giants were surpassed by newer and more agile online-focused operators at the beginning of the digital revolution.

Many of these firms failed to move quickly, or undertook ambitious online projects for which they lacked the requisite expertise.

Fortunately, Latin America's major land-based operators have a distinct advantage; they are able to call upon the expertise of a wide range of digital suppliers to ease the transition to the online space.

### FLEXIBLE PLATFORMS

In Colombia and across Latin America's regulating online jurisdictions, we are likely to





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see a battle between local land-based heritage operators and offshore online-focused European and Asian operators for supremacy.

While these two sides bring very different assets to the table, they must all understand one central reality to gaining success in Latin America: rolling out products that have proved popular in Europe will not be enough.

Accordingly, all will be in need a flexible platform that allows these operators to create a bespoke proposition that speaks to local customers.

This includes everything from offering relevant markets for sporting events to having a data solution in place that personalises marketing to boost retention and grow revenues.

This is why R. Franco Digital's IRIS platform allows easy integrations, offers more than 15 payment gateways and in excess of 1,500 games, as well as regulatory expertise for the entire region.

### BEYOND COLOMBIA

While Colombia is an extremely encouraging first step for the region, it is really just scratching the surface of what is possible for online gaming in Latin America.

According to H2 Gambling Capital, igaming accounts for just 6.3 per cent of gambling gross win across Latin America in 2017. That number is expected to rise to 7.7 per cent over the next five years, and it is clear that the potential of the market is huge.

Similarly, of total igaming gross win, just 20.9 per cent came from the mobile channel in 2017. If you compare this figure to major European operators, most of which take more than half of

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their revenues on mobile, it is apparent there is room for mobile-focused firms to disrupt the Latin American gaming space.

These opportunities will come into sharper focus as more markets regulate the online sector. Peru has made some encouraging steps on this front of late, although the big prize remains Brazil.

Brazil's lawmakers continue to debate potential legislation, and while the process may still take some time, there is a growing sense that it will ultimately introduce a framework that permits some degree of online gaming.

Elsewhere it seems inevitable that others will follow. Currently around 80 per cent of igaming revenues are accounted for by offshore, unlicensed operators. This is unsustainable and regional governments, under pressure to raise

tax revenues, will be watching the Colombian example closely for an alternative. These are exciting times for Latin American gaming. Led by Colombia, the region has an opportunity to drive huge growth over the coming years.

But operators, whether they are local or international, must take time to learn the intricacies of each regional market if they are to succeed.

The R. Franco Group, with more than 50 years of experience in Spanish-language gaming and a market-leading online division that already provides some of Europe's most innovative operators, is already in a series of interesting discussions with operators.

And with the growth only set to accelerate, Latin America is quickly emerging as a region that operators simply cannot afford to ignore.



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