

DEFUSING THE DEMOGRAPHIC TIMEBOMB

Are we heading for a demographic gaming gap that will become too large to bridge? IGT's Sabby Gill offers a timely solution

Casino operations are continuously under pressure from outside influences; responsible gaming, player competition, disposable resources and latterly, macro economic climates. However, of deep concern to gaming giant IGT, is the fragile state of the player demographic within land-based locations. Speaking to IGT's Sabby Gill about what he describes as the 'Demographic Time Bomb', his view is that without dynamic intervention the changing player landscape will disadvantage traditional land-based operators in the 'not too distant' future.

"The traditional slot player demographic has changed dramatically in a short number of years," explains Mr. Gill. "In Vegas, the majority of slot players fall into the 'mature female' bracket, which is currently the biggest demographic within the casino slots environment. The difficulty is that it's such a big demographic that it's hard to affect change as we look to the future. However, those people aren't going to live forever and while catering to their needs we can't lose sight of the new breed of community/social gamers that casinos need to attract for continuity of play. It's the reason why in the US you see so many operators looking to concentrate their online offer, it's about meeting expectations now and planning for what's to come next."

IGT believes it has a distinct advantage coming from the traditional land-based environment in the development of its online gaming offer. The starting point is always going to be content and it's the basis of most discussions with operators as they look to create a seamless blend across the different routes and channels between offline and online play. "Our stance has been to take to online the same themes from the land-based side of the business, utilising the technology as a delivery medium for our content," comments Mr. Gill. "It's a fact that if you look at the most played online games right now, the top themes are traditional slot games from IGT, for example, Cleopatra, which boils down to content."

The core driver to IGT's presence in both land-based and online is that content is the key to convergence, with offline and online gaming drawn together by the delivery of themes with which players recognise and have become familiar both from home and in-location gaming. Playing online and playing within a land-based environment should, IGT maintains, provoke the same responses.

"Land-based operators know how to use their facilities to their best advantage," expands Mr. Gill. "We're already seeing operators running poker tournaments online that stage the final events within land-based locations. We are seeing operators closing the loop between offline and land-based play, whereas online content providers are at a distinct

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disadvantage as they don't have the opportunity to really know and understand their players. Land-based operators can take this knowledge into the online space and really service their players to the full."

Land-based dominance of the online space

Examining the first online licences in the US, Nevada being a first-mover has seen land-based content providers taking each of the initial licences. From a Nevada state perspective, all those licences are in the hands of land-based providers and Mr. Gill is certain that we will continue to see more land-based businesses moving into



SABBY GILL,
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online platforms, because land-based casinos have a distinct set of advantages. "In the land-based sector you already have a lot of players familiar with the major land-based brands, IGT, WMS, Bally, Aristocrat etc. If you look at operators in legal jurisdictions such as the UK, Rank, Gala, Genting, each have a loyal customer base; they have first-hand knowledge of their players and understand what will attract them to an online space. Gaming convergence isn't about the technology, it's about the functionality. Taking player loyalty across all channels, allowing them to earn points with recognition for loyalty online being rewarded in-location and vice-versa, is a



huge advantage. Land-based operators are not just becoming online operators, they are taking their offer online - the technology is purely the vehicle to achieve this in a different environment. And the greatest advantage is that where an online operator finds it incredibly difficult to attract and retain players, land-based operators have already made those connections to their players and are now looking to exploit them online."

Regulation has been the obstacle to land-based operators effectively taking their business online, but there's been a shift in government thinking. Where regulation has provided a vacuum for

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offshore/beyond borders operators to helicopter into a country their services and draw that revenue to external sites, the online gaming market is shifting from a free-for-all dot.com sector to a defined set of borders in a dot.country environment. "There is an ever increasing number of countries wondering why others should benefit from their citizens playing online," says Mr. Gill. "External operators deploying software into a country and enjoying both the benefits from individuals when they lose and highly favourable tax regimes is a scenario that's coming to an end. Cash-strapped governments are looking at play at the point of consumption, rather than

where the organisation is based. It's going to prove difficult to manage, as the dot.country model seeks to limit player choice, but models have been established with players in France, for example, only able to play on websites and games established by organisations based in France."

A ticking demographic

As the regulation barriers fall, land-based operators still must overcome the demographics time-bomb. It won't be sufficient to take their existing player base online and retain their play within the casino, they must convince younger, social media-savvy and PC-literate players

to visit their locations. Having the service to link offline and online play is the first step, but attracting a whole new audience is the ultimate goal. "There's still a perception that defines someone as an online gamer as having a stigma preventing them from visiting a land-based casino," states Mr. Gill.

"There's a belief that they'll be scared to get off the sofa and visit a 'real' casino, but what's the real stigma? That they'll meet friends and be part of a social environment, or that the casino will be a traditional 'James Bond' experience? More and more casinos are changing the way they come to market both on- and offline. A perfect example is with the Rank Group and its G Casinos. Visit a G Casino in the UK and it's a very different experience to the traditional casino of 10, or even five years ago. There's a huge difference in the entertainment offer, it's a more social space, a relaxing and a comfortable place for all ages. In the past it was all about maximising gaming. A casino focused on just that one element and that's was the right offer for the now dwindling traditional player demographic. For casinos to become more socially accepted environments for young people to spend their evening, their offer needs

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to be targeted at this demographic. If a player is familiar with playing online, the ability to have that same experience within a casino, with entertainment, social interaction and great food and drink is an exciting proposition."

Discuss motivation with games developers and one thing looms large - content. However, social content is a new distinct area that's become something of a buzzword in the industry without a real sense of what defines it. How useful can social gaming be in a land-based context? If attracting a younger demographic is a high priority right now, the need to integrate and 'converge' play-for-money gaming with social gaming would appear to be the most important obstacle to overcome, but how the industry can



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achieve this convergence isn't currently clear. At present, conversion rates of social gamers to pay-to-play are holding steady at around three per cent of users. This three per cent figure is the conversion of those players to online pay-to-play gaming, not land-based. The question right now is whether those social gamers really want to part with their money? It's a topic of debate that has surrounded IGT's acquisition of DoubleDown Casino on Facebook since the deal was finalised mid-2011. In October of this year, IGT had signed agreements to implement free-to-play DoubleDown social gaming solutions with 24 casinos in the US, where operators are presently credited with being much more advanced in the integration of social media and social communication with

players. IGT believes that the debate in social gaming boils down to essentially the same thing - content.

"If you look at Double Down as a platform, we are seeing a lot of the operators adopting the free-to-play solution, with IGT games and themes the integral part of that offer," explains Mr. Gill. "We are seeing players responding to entertainment type games, but there's also an element of players who don't just want entertainment, they play a higher risk strategy when they're not playing for money. We are seeing that we need to offer a broad mix, content that is entertainment based, but also just as important is the need to allow people to play with credits and try to go for the big win and big opportunities. We are striking



the right balance between both. If you looked around at G2E we're now seeing a lot more themed entertainment type games coming to market - a lot of pop-culture themes such as Elvis, Godzilla, Sex and the City, with everyone else following suit. The industry is taking onboard the need to provide relevant entertaining content, an area in which IGT has been leading the market for many years and we're seeing those games moving to online. If you visit a casino today you'll meet players that could more typically be described as gamblers, whereas online there's much more social-awareness and we need to find the right balance to bring the two together. We have a lot of land-based customers using tournaments to bring online players into the casino. Casinos build upon this by

offering loyalty based items, using the online interactive route to bring players back into the land-based location time and time again."

The convergence of content is another hot topic right now with some suppliers insisting that the demographics of offline and online are very different, while others are demanding that content be shared across platforms, enabling players to swap devices but continue to play their favourite games whatever the location. "We are seeing increasing calls for more and more content spread across online and offline platforms," states Mr. Gill, falling distinctly into the latter camp. "Operators want to be able to continue promotions across different channels and we are being asked by every land-based

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operator right now about taking specific content online. Everyone is talking about DoubleDown and what benefits it brings to their casino. We explain that by putting a frame within their online web-page with links that enable them to monitor every connection, players are registered and linked to their casino and all of the revenue share is linked to those customers. If a player is directed to the DoubleDown site from the casino's website they remain the casino's customer and all current and future revenue is shared with the casino."

Working the statistics

The major difference regarding social gaming and pay-to-play is that while statistics show close to 235 million people playing games on Facebook, only 3-4 per cent are paying users for social games, the majority of players are purely social gamers and they don't want any risk or reward. The conversion rate from social to online pay-to-play is only three per cent, and beyond that it's incredible hard to calculate which part of the three per cent have made the leap to land-based play. However, it's safe to assume that its particularly difficult to migrate social gamers into a land-based casino environment. The only way to achieve this in the future according to Mr. Gill, is to go back to content.

"Our perspective is that you can't ignore social gaming, otherwise you're priming the demographic time bomb," claims Mr. Gill. "If you want to engage with the generation X of the future, and you have a land-based infrastructure, you have to consider social media and social gaming. You need to ascertain from the social gaming environment which are the right types of players to invite to your location, because if you're not currently speaking to them then someone else is, and as most operators look at Facebook as the number one platform world-wide, IGT's acquisition of Double Down provides the bridge between social gaming and land-based play. We believe that operators need to be engaging with a gaming platform from a social perspective, linking into social networks and social gaming. Compared to 205 million participants last year, social gaming has increased on the Facebook platform by 10 per cent in 12 months, and of that figure 8.4 per cent has increased since January 1, 2012.

"If you look at online and social gaming it is emerging as its own space," says Mr. Gill. "Land-based players wanting to continue their gaming at home or on their mobile can continue to play IGT games. Meanwhile, online players visiting land-based casinos have already established a familiarity with our games. We are also seeing the influence of DoubleDown

Analysis

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generating statistics that show which games create the greatest interest online in free-to-play, with those games put to work on casino floors and linked to casino websites to drive those players into land-based locations."

The dynamics of the casino slot floor has also been changing in recognition of this demographic shift, not only in the types of themes offered to players, but in the discussions now taking place between supplier and operator. IGT isn't looking to fire and forget - the days of simple seller and buyer models are part of the waning traditional casino culture. Today, suppliers refer to their relationships with operators as partnerships and there's a greater understanding of the needs of the player audience taking precedence in the buying decision.

"By studying the demographics we are able to provide market attuned games. We are working with operators to study the demographics of their players so we can provide high or low volatility games, high or low denomination, more entertainment or quick win themes - matching the attributes and recommending the most appropriate games and themes to be deployed."
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"We've been pushing towards a greater understanding of the individual needs of players, talking to operators to gain an understanding of their audience. We're not simply selling any product to the operator, but rather we are selling to the end user - the individual players," describes Mr. Gill. "By studying the demographics we are able to provide market attuned games. We are working with operators to study the demographics of their players and based on what we are seeing we can provide high or low volatility games, high or low denomination, more entertainment or quick win themes - matching the different attributes and recommending the most appropriate games and themes to be deployed. Every location has a mix of visitors and the ultimate aim is to help operators provide the right games to attract the maximum spend for their floor.

We can help advise operators on the right mix of games, help form marketing campaigns, utilise player IDs, create specific promotions and give every type of player a reason to visit the casino floor.

"We recently worked with the Regency Casino in Greece, helping to create a Pink Tuesdays campaign generating Sex and the City special promotions on Tuesday afternoons, which have seen big buy-ins from players," continues Mr. Gill. "We make sure to refresh with a different theme and elements each week with Sex and the City advertised and promoted in the casino. It's all about understanding the operator's players and creating market attuned gaming experiences on the floor."

Ground floor access

One of the major shifts in EMEA and Latin America, markets that fall within



Mr. Gill's remit, is the move from transactional selling, where the number of units to price was the determining factor, to a conversation discussing the real issue - game performance. "When I took this role 15 months ago the conversation with operators was one of maximising machine numbers within a set budget," says Mr. Gill. "However, the need to drive people through the door, to attract very specific demographics has changed the conversation. We are asking what issues are operators trying to address as they are seeing coin-in falling and win per unit down. There's a lot of data we can now analyse with the customer to really study their player demographics. Where previously there was a great deal of guesswork, we can now see exactly where and when a game is underperforming. We have become a trusted adviser whereby the price of a

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machine is an outcome of the discussion we're having, rather than the topic itself. We aren't looking to sell a product for its own sake, we are looking to take the pain away, address a problem with a solution. The discussions about the selling price, about needing 20 cabinets, or your competitor is offering X price have changed."

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According to Mr. Gill a price discussion does nothing to address the selling of the wrong product. The performance of the games is the most important factor and if operators are not resolving this core issue, if they're not taking into consideration the demographic of the players, then it doesn't matter what game they put on the floor, as the experience isn't the one the players want. IGT is looking to market directly to the individual players, to understand who they are and what they want. "If we know the player we can attract them, reward them and retain them," confirms Mr. Gill. "We can give extra credits at the right times of day, offer free-play at trial banks and incentivise the location's players to return to the casino floor for specific events. Knowledge is definitely power on the casino floor."

Operators know the type of players visiting their locations, but historically the games provided haven't necessarily matched with the demographics of their players. "We are trying to understand each of the different components in detail," outlines Mr. Gill. "We have teams who analyse customer data across operations in Latin America and Europe, but you can only do this as you build that trusted relationship. We use the data anonymously to compare with other operators and give advice as to the changes that can be made. We don't allow operators to see other operator's data, that forms our database in which we can see which are the best games in those markets. We can match the games and settings to match the operator demographic, knowing which games work best in which region."

Many operators would balk at the sharing of such information and not so long ago this would be unheard of in the industry, but times have changed. Operator can now see the tangible benefits of working with suppliers in greater depth and detail. Isolation is not a good insulator from a depressed market, whereas information sharing helps all parties involved.

"As a trusted manufacturer, operators have been happy to share information with IGT," comments Mr. Gill. "We guarantee that we don't make available information to other operators and as a result we are presented with a detailed overview of the casino floor and asked for help and opinions on performance. Our aim is to find the right balance, to replace and change without losing credibility. We understand that you need variety within a casino, different maths and themes to ensure that we maximise the performance across the floor. We're not selling machines, but rather an optimised casino floor."