

Think outside the box

Online gaming consultant Itsik Akiva on why New Jersey operators must continue to innovate in order to drive market growth

Product innovation is often portrayed as the fuel that drives the online gaming industry forward, especially in hyper-competitive European markets. But how are things across the pond in the newly regulated US market, and can operators even focus on innovation in small markets with strict regulation?

Back in 2013, the entire gaming industry was watching with great anticipation the return of online gaming to three US states, this time in a fully legal and regulated fashion. While Delaware and Nevada presented modest opportunities, New Jersey was the first state to combine a sizeable population, licenses for both online casino and poker, and a strict yet very comprehensive regulatory framework. It was only natural that the online gaming industry, which has always prided itself on its ability to evolve through innovation, would mark New Jersey as the 'model state' for gaming expansion in the US and the market where we would expect to see the best and greatest online gaming has to offer.

The combination of brands, talents, and budgets involved in this market, and the unique opportunities presented by the convergence of online and land-based gaming, positioned the Garden State



Itsik Akiva is an egaming expert and founder of Boston-based Headway Consulting, which specializes in devising and executing marketing and product strategies for gaming companies in regulated and emerging markets

as the launch pad for gaming innovation in the US. But for the American gaming enthusiasts, reality was drastically different. Instead of cutting edge gaming products and a superb gaming experience, legal gaming in New Jersey was mainly characterized by basic products with modest features, and a long list of challenges including limited banking options with low success rates, problems with geolocation technologies, a complete ban by Google (including from its Google Play store), and limited opportunities for affiliates.

It was therefore no surprise that for the first two years most operators were forced to put a great emphasis on the basics – properly running their gaming operation, establishing a sizeable market share, thriving for profitability, and above all complying with regulations.

Today, two plus years after launch, New Jersey operators stand at a crossroad. On one hand, they finally have a clearer picture of the conditions in the market – gaming revenue is growing year-over-year, budgets and processes are better defined, relationships with the regulator are optimized, and market shares have stabilized with most major licensees completing their launch with others electing to pull out of the market. On the other hand, the market size is still fairly limited, user acquisition remains challenging and expensive, poker liquidity is likely to remain low, there is little product differentiation given that most operators rely on a limited number of gaming platforms, and even more licensees are planning their entry to the market in 2016.

While it appears that some operators have given up on this market, New Jersey remains a viable and competitive online gaming environment. It is therefore natural to expect the remaining operators to search for new ideas, products and features that will excite their customers, set them apart from the competition and pave the way to growth and profitability. But what are their options and are they within their control?

Live casino

The link between online and land-based gaming and the option to extend a great gaming experience beyond the walls of Atlantic City establishments present a great opportunity. Most operators introduce their online products to casino patrons through on-premise signage and kiosks, and

“ ” What we have yet to see is the ultimate marriage between online and land-based gaming in the form of a live casino feed



“ ” Most apps are not native applications but rather a ‘wrapped’ version of the mobile website

some offer rewards by connecting between online and land-based activities. But what we have yet to see is the ultimate marriage between online and land-based gaming in the form of a live casino feed from an Atlantic City casino floor.

I have no doubt that allowing players to place a bet with their favorite casino and a familiar dealer from the comfort of their home would take the gaming experience to new heights. However, such moves come with a far greater level of complexity than simply plugging in a live casino feed: identifying a licensed vendor to partner with, dedicating precious casino floor space, obtaining a long list of approvals and permits for both the online product as well as the land-based property, and building a functional studio are only some of the challenges.

This is by no means a simple nor a quick project but the first operator to accomplish such achievement will most likely become the go-to online casino in New Jersey.

Mobile gaming

In a modern market which puts a great emphasis on accessibility and relies heavily on advertising, it makes perfect sense to invest in a great mobile product. Indeed, several New Jersey operators indicated that more than 50% of their gaming activity was attributed to mobile games. However, a quick look at the current apps in the market reveals missed opportunities: most apps are not native applications but rather a ‘wrapped’ version of the mobile website.

While they allow players to enjoy a reasonable mobile gaming experience, such solutions prevent operators from taking full advantage of device and operating system capabilities like native apps would. Given that responsive websites are not functional in New Jersey for real-money play (as they do not support geolocation), investing in native apps should be a high priority for all operators.

It is also surprising to see the very limited choice of mobile games offered by some operators. More than half of the brands offer their players less than 50 mobile titles (compared to 80 by market leader

Golden Nugget), with a couple of operators settling for a very modest selection of 10 games.

New games

In a market with very limited product differentiation, offering a large variety of games seems like a sure way to improve player engagement and retention. Here too, it is surprising to see the significant gap between the number of games offered by the brand at the top of the list (again, Golden Nugget with 270) versus those at the bottom (a modest choice of 32 games).

Tropicana and Virgin were the first operators in New Jersey to launch a 90 Ball Bingo game, and while the impact on revenue is unknown, it is an innovative way to distinguish the brand from the competition and offer their players a unique gaming experience. While those are areas that most operators can and should improve on, we must also accept that the combination of a moderate market-size and very restrictive regulation present unique challenges.

Cost is known to be one of the biggest barriers to innovation, and as long as the US continues to regulate on a state-by-state basis, with each market representing a modest opportunity and a new set of rules, investing in innovation might simply be too expensive. This becomes an even bigger challenge for brands that rely on partnerships with platform providers, as those may have a different set of priorities for their own resources. But operators are not the only ones with the ability to influence the potential for growth and innovation.

By taking a proactive and open-minded approach, legislators and regulators can significantly improve the conditions in their jurisdiction: promoting compacts to pool poker liquidity across states or countries will revive the legal online poker scene and lead to competitive and innovative products.

Relaxing some of the licensing requirements for affiliates, who are known to be a driving force for innovation, would help markets expand and will promote healthy competition between operators. And finally, evaluating alternatives to registration with a Social Security Number would ensure that online gaming becomes more accessible to eligible adults, thus expanding the market and giving operators a better chance to succeed. ■