iGAMING
BUSINESS

THE TECHNOLOGY ISSUE

EXPLORING THE TRENDS, STANDARDS AND DISRUPTIVE TECHNOLOGIES SHAPING THE IGAMING INDUSTRY

INCLUDES: THE MOBILISATION OF GAMING, DATA ARCHITECTURE, FACIAL RECOGNITION TECHNOLOGY, HTML5 & TECHNICAL STANDARDS

THE GREAT DISRUPTORS

Disruptive technologies have played a seismic role in the evolution of the global gaming industry; the Internet and advances in mobile and Smartphone technology being the foremost game-changers of recent times. But what are the potential disruptors of the future? iGaming Business gathered a selection of experts and commentators to explore the technologies that may shape the industry of the future.

STEVE BEASON, CHIEF TECHNICAL OFFICER, SCIENTIFIC GAMES

Industry at a 'tipping point' with three key disruptors

According to Moore's law, technology doubles every three years. This is even truer in an interactive market like iGaming – especially once the floodgates open as they have in the emerging North American marketplace. Generally speaking, things take a bit longer to get to the tipping point than we expect. But once they reach that tipping point, the spill-over process goes significantly faster than anticipated. I believe we've reached that tipping point with the following disruptors:

Disruptor 1: The collision of social gaming and real money gaming

The heart of this disruptor is answering, "How do you add value to the social network in the real money gaming world?" Gaming enthusiasts are well beyond 'liking' pages and posting comments on their betting accomplishments. Operators are now looking at ways for customers to share their wagering propositions with their friend base.

Social and real money gaming are, at times, polar opposites. For instance, in social gaming, you want all your friends to know everything you're doing, but in real money gaming you may not want that level of involvement since it could take the odds down for you. We need to look at ways

customers can take advantage of their social network, allowing them to bring their friends in when it works for them. Payment can take the form of direct or indirect rewards. For example, when playing a sportsbetting game, participants must win their own bet before they can reap the advantages of having a social network around them. The network could be a virtual league where they earn points as their friends win.

Companies in the real money gaming business will need to adapt the constructs of how they run a popular social game.

Disruptor 2: Lightweight fabric and infrastructure in the face of 'irregular' regulation

This is about the move away from closed monolithic, logically separated systems to bringing gaming to the cloud. As the iGaming industry seeks to reduce cycle times with open systems, we face more obstacles and requirements from regulators to do just the opposite: invest in bricks-and-mortar facilities as a condition to expanding our iGaming offerings.

The reality, though, is that building these closed-loop monolithic systems is becoming more difficult and more costly. And going in with a mixed or hybrid cloud environment gives us the ability to vastly decrease time to market. These regulations and standards, which differ greatly from jurisdiction to jurisdiction, inevitably lead to

fewer operators and less competition. The reality is that operators are better served by a larger number of qualified vendors. Competition creates value for everybody on many different fronts. So, having a closer set of tightly knit regulations and standards across the international marketplace will be better in the long run for our industry and the communities we serve. However, in the short-term, we're going to see an expansion of regulations rather then a contraction.

Disruptor 3: Loyalty conversion: 'the reward'

Currently, a lot of companies use bonus schemes to target directly at single-product verticals. When operators start offering loyalty rewards across all of their products and services, players will find it much more difficult and costly to leave – much like how airline travellers are reluctant to abandon their accrued frequent flier miles for a rival airline.

The operators who get this right will take the largest share of players because the players who today hop to different gaming sites in search of the best deals will tomorrow start staying where they can attain the most long-term bang for their play-wagering buck.

Conclusion

As for the iGaming business in general, it's growing up; it's no longer comprised of the offshore companies of yesterday trying to skirt regulation or operate without concern for customers. Today, iGaming is a global business, and one that requires global regulations and global standards and licensing. At the same time, we must begin offering rewards and services to our players based on a global standard of what they might expect from other service-oriented

"iGaming is a global business, and one that requires global regulations and global standards and licensing."

businesses. And at Scientific Games, that's exactly what we're doing.

PALL PALSSON, EXECUTIVE PRODUCT MANAGER, BETWARE

How do you define 'a disruptor'? Is it something that has already arrived or something that is lurking just beyond the horizon? Explosive growth in Smartphone and tablet use, the demise of Adobe Flash, the arrival of HTML5, social media and social games are all things that have sent ripples of disruption through our industry. There has already been a ton of discussion surrounding the aforementioned so, instead of talking about those topics, I'm going to cover some of the other things that have been worrying me of late. These things are not strictly technology-based but are, as I see it, changes in consumer behaviour, driven by technology.

The change in how consumers see value

Consumers are looking much closer at the value they are getting for their money. It would be easy, and possibly correct, to say that this is only because of the recession but it's not beyond the realm of reason that this is some sort of natural progression in consumerism. It is incredibly easy for consumers to access information on products and with that access to information comes confidence. Confidence in trying non-name brands while shopping at the supermarket, for instance. Consumers can also more easily compare options and decide which one gives them the most value. The app stores for Android and iOS tablets and Smartphones are full of low price, sometimes free, games that provide great entertainment and often social interaction. The same is true for Facebook. With all

these low cost entertainment options out there and consumers looking for value, will players still feel the need to engage in gambling which is generally viewed as an expensive activity?

Gambling without a chance of winning (or not gambling at all)

The US iPad 'top ten grossing apps' section of the App Store normally has a selection of gambling apps (slots, poker, etc) listed. These apps, by necessity of law, do not pay out cash prizes. Will consumers turn away from real gambling and towards 'gambling gaming', or is this just a transition phase? In Las Vegas, revenue from non-gambling activities has far exceeded gambling revenue. Is this indicative of a fundamental change in gambling behaviour or simply a reflection of the changing nature of Las Vegas itself?

The second screen effect

Watching TV with a young adult is an interesting experience; it's rare to see them 'just watching TV'. They watch TV while doing something else on their Smartphone or tablet. The 'something else', in my (very) unscientific polling of a random selection of the only young adult living in my house, turns out to be either a game (something with simple game mechanics) or social media (chatting, 'facebooking', etc). The second screen effect is often seen as a tremendous opportunity for our industry as we can now sell our products to players during periods where they were previously unavailable (while watching TV).

However, this is a potentially double edged sword, as 'uninteresting TV' plus 'second device' might also mean that players do not get bored and go searching for another activity.

How to respond

For operators, the ability to adapt quickly and add new products will be key to constantly providing value back to consumers and dealing with changing consumer behaviour.

CHRIS DADD, DIRECTOR OF PRODUCT INNOVATION, UKASH

The market for mobile gambling is expanding rapidly and becoming increasingly popular, and this is partly driven by Smartphone apps which many larger sites and gaming operators are now providing. And as the apps get more advanced, we see the gambling operators fine-tuning their offer to be mobile-optimised.

However, despite the high-tech innovations in mobile gaming, the sector is still susceptible to a number of issues and disruptors, such as fraudulent attacks. While no online sector can be immune from the attention of criminals, gambling operators have been considered a fairly high-risk merchant category, often being targeted by fraudulent users. This is mainly due to the potential opportunity to monetise the theft of payment credentials remotely, depositing with one method and withdrawing through another.

It is my experience that poker sites are very proactive about monitoring and countering fraud – perhaps as a direct response to the additional risks discussed. Whereas the operators that are most susceptible are either new-to-market or don't expect fraud and, therefore, haven't built the appropriate fraud rules engines and processes. By far the biggest trend in fraudulent use continues to involve credit and debit cards. They are still the most popular and often seen as the most

convenient payment methods for players via their mobile or online. However, they were originally designed for face-to-face transactions and have been playing catch-up ever since the inception of online gaming in the 1990s.

It was hoped that the addition of 'second factor authentication' with the card issuer (3D Secure) would resolve the problems for operators, but these details are being phished, and so the whole battle continues.

Being a payment scheme that offers financial privacy, we recognise that this also makes it appealing to some fraudsters. For that reason, we have a sustained commitment to working with operators and alongside law enforcement agencies to provide as much assistance as possible when any scam is identified which uses Ukash as a payment method.

In truth, it is extremely difficult for the industry as a whole to stay one step ahead, as the innovation and creativity of the criminal continues to develop. The solution is for operators to build up their experience to spot, and respond to, new attacks very quickly. An operator need only stay one step ahead of its peers, as malicious behaviour will take the path of least resistance.

FERGAL MCKENNA, SALES DIRECTOR AT MANX TELECOM

Mobile betting has arrived with online sportsbooks experiencing increases of more than 300 percent on turnover via the mobile Internet. With analysts predicting that the market could be worth around $50 billion by 2015, it's clear that mobile is the next wave of iGaming innovation and, therefore, the biggest disruptor in the operator/consumer supply chain.

Much discussion has centred on the fact that mobile users expect pages and online content to load quickly meaning that mobile betting sites have focussed on a more streamlined process to engage customers given the limitations of the networks in delivering richer data to the device. 4G mobile broadband – which is able to provide super-fast mobile broadband with speeds

comparable to those currently only available on fixed line broadband – allows iGaming operators and their customers to stream HD video to mobiles and tablets, and provides an enhanced experience for interactive gaming and any application that users currently experience at home or in the office.

For sportsbooks, this means the ability to use the latest web technology to push odds, price and race data directly to the user, reducing or eliminating the need for polling. Bets can be priced in real-time, an essential component of in-play betting, with odds delivered milliseconds after publication from the trading platform. 4G will significantly reduce server load for high traffic sites and during peak demand times. Our trials and technical preparations for 4G super-fast mobile broadband on the Isle of Man are already well advanced and, depending upon the allocation of radio frequencies, we plan to launch a 4G network later this year.

As the potential of 4G continues to be developed, we believe the real winners in the mobile arena will not only be those that merely look at their own company's technical mobile Internet infrastructure and hosting or data centre requirements, but also those iGaming operators that partner with mobile telecoms providers that operate the backbone network.

ROB MEAKIN, MARKET DEVELOPMENT MANAGER, CALLCREDIT INFORMATION GROUP

We've probably got our hands full with the opportunities that mobile is bringing, the next 'great disruptors' are likely to be in some way associated with the growth of mobile. It would seem that mobile devices are becoming more often the primary way that customers are engaging with gaming services (for instance, last year William Hill reported some 90,000 registrations through mobile devices), and as the desktop PC dies a death as far as entertainment is concerned, we are only going to see the emphasis on registrations through mobile increase.

The platform debate continues: HTML5 clearly provides portability, and ease of development and deployment across a broad estate of mobile devices, whereas native apps are perhaps more difficult to deliver in respect of needing device-specific development and are subject to the release constraints imposed by distributors.

It seems to me that native applications are gaining the upper ground and, in my view, rightly so, as native capabilities provide a richer customer experience and greater scope for innovation – although I've heard some discussion of hybrid solutions, which whilst not favoured by the likes of Apple, would bring together the best of both options.

From a customer verification, money laundering and fraud perspective, the disruptive factors are threefold: mobile devices are perhaps more likely to be accessed by underage players; usability challenges will perhaps place some constraints around data entry which may have implications for our ability to verify customers; new technologies attract the attention of fraudsters, and mGaming is not immune.

Operators cannot assume that mobile devices registered to adults, are used by adults; age verification needs to be incorporated into registration processes for mobile as they are in other channels.

Some innovative thinking is required in terms of front-end data capture to ensure information is accurate and detailed enough to enable effective ID verification – for example, address pre-population and using device data to complete customer profiles.

Some mechanisms for validating payment details impact the customer experience even in web-based services – I'd suggest these are entirely inappropriate for the mobile environment. If we are to avoid a significant increase in card fraud, it is critical that operators implement robust card validation.

There is a risk that insufficient energies are directed into addressing these factors as operators strive to take advantage of the op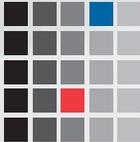portunities this new channel presents.